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June 1983

Dairy

OUTLOOK & SITUATION

Table 1.—U.S. dairy situation at a glance

Item	Unit or base period	Quarterly data					
		1st 1981	1st 1982	2nd 1982	3rd 1982	4th 1982	1st 1983
Production and cow numbers:							
Total milk	Mil. lb	32,515	33,235	35,723	33,983	32,854	33,955
Milk per cow	Lb	2,990	3,015	3,246	3,082	2,972	3,070
Number of milk cows	Thou.	10,877	11,021	11,004	11,026	11,053	11,059
Prices received by farmers:							
All milk, sold to plants, 100 pounds	Dol	13.97	13.83	13.30	13.37	13.87	13.73
Percentage of parity[1]	Pct	69	66	66	65	63	62
Manufacturing grade milk, 100 pounds	Dol	12.90	12.83	12.43	12.40	12.97	12.80
Parity equivalent	Dol	17.62	18.68	18.86	18.98	18.86	18.68
Fat content	Pct	3.73	3.77	3.61	3.57	3.82	3.75
Minnesota-Wisconsin (3.5% fat), 100 pounds	Dol	12.66	12.49	12.43	12.44	12.58	12.58
Milk eligible for fluid market, 100 pounds	Dol	14.13	13.97	13.43	13.50	14.03	13.93
Price ratio and dairy ration value:							
Milk/16-percent feed price relationship	Lb.	1.40	1.54	1.47	1.51	1.61	1.56
Value of concentrate ration fed, milk cows	Dol	8.35	7.60	7.50	7.66	7.31	7.28
Farm cash receipts from dairy products	Mil. dol	4,396	4,570	4,731	4,515	4,538	4,364
Production of factory products:							
Butter	Mil. lb	347.0	366.6	334.0	256.4	300.0	380.7
American cheese, whole milk	Mil. lb	645.9	662.1	759.4	673.2	655.7	705.2
Cheese other than American	Mil. lb	388.7	411.9	443.5	448.1	485.8	439.1
Canned milk, unskimmed	Mil. lb	169.6	173.7	195.6	184.0	181.6	163.6
Dry whole milk	Mil. lb	20.5	26.2	29.4	22.4	24.3	26.6
Frozen products[2]	Mil. gal	249.0	249.3	333.7	345.8	247.5	263.4
Creamed cottage cheese	Mil. lb	194.6	181.2	197.4	191.2	172.1	184.9
Total (milk-equivalent, fat-solids basis)[3]	Mil. lb	18,937	19,531	21,652	19,470	18,445	20,569
Nonfat dry milk, human use	Mil. lb	304.5	347.2	417.5	339.0	296.9	368.4
Wholesale prices:							
Butter, Grade A, Chicago, pound	Ct	147.2	147.6	147.3	148.0	147.9	147.2
Cheese, American (40-pound blocks), f.o.b. Wisconsin assembling points, pound	Ct	139.1	137.7	137.2	137.8	140.4	138.6
Evaporated milk, case	Dol	21.42	21.99	22.02	22.02	22.02	22.16
Nonfat dry milk, pound, f.o.b. Central States, high heat	Ct	93.3	93.3	93.0	93.1	93.2	93.4
Dairy products (BLS)	1967=100	244.9	247.9	248.5	248.8	250.3	250.8
Retail prices (BLS):							
Consumer price index[4]	1967=100	262.9	283.0	287.3	292.8	293.4	293.2
All food[4]	1967=100	270.5	282.4	285.7	287.8	286.6	289.2
All dairy products[4]	1967=100	241.6	246.3	246.9	247.3	247.4	249.6
Fluid milk and cream	12/77=100	133.8	135.3	135.6	135.4	135.2	136.7
Whole milk	1967=100	219.1	221.5	221.8	221.2	221.2	223.5
Other	12/77=100	133.6	135.3	135.8	135.9	135.3	137.3
Manufactured dairy products	12/77=100	140.5	144.7	145.2	146.1	146.5	147.2
Butter	1967=100	242.6	249.4	250.7	251.8	252.4	253.5
Cheese	12/77=100	139.1	142.7	143.6	144.6	144.6	145.4
Frozen desserts	12/77=100	144.9	150.1	149.7	150.1	151.5	152.1
Other	12/77=100	134.3	139.3	139.4	141.0	141.2	142.4
Margarine	1967=100	256.5	257.1	260.2	258.5	257.5	257.0
Stocks, end of quarter:							
Creamery butter	Mil. lb	407.4	447.8	541.6	510.0	466.8	533.0
Cheese total[5]	Mil. lb	737.0	898.0	994.8	1,054.2	1,064.2	1,145.7
Canned milk, unskimmed	Mil. lb	40.5	48.2	89.6	104.3	52.9	49.1
Dry whole milk	Mil. lb	3.9	6.9	9.6	7.3	6.0	5.0
Total (milk-equivalent, fat-solids basis)[6]	Mil. lb	15,358	18,022	20,990	20,916	20,054	22,204
Nonfat dry milk	Mil. lb	632.5	975.6	1,132.4	1,240.1	1,282.0	1,305.7
Commercial disappearance:							
Creamery butter	Mil. lb	188.9	211.4	217.6	217.1	251.0	208.3
Cheese, American	Mil. lb	528.4	541.3	546.1	549.4	528.1	459.2
Cheese, other than American	Mil. lb	432.5	462.9	484.5	501.0	596.2	496.1
Canned milk, unskimmed	Mil. lb	177.9	170.6	150.1	164.7	230.0	163.3
Milk in all products	Mil. lb	27,948	28,655	30,947	31,804	31,056	27,931
Nonfat dry milk	Mil. lb	104.6	105.0	75.5	142.3	120.2	109.0
USDA net removals:							
Butter	Mil. lb	143.4	164.1	130.7	42.9	44.6	172.5
Cheddar cheese	Mil. lb	132.9	127.9	220.1	177.3	117.1	209.7
Nonfat dry milk	Mil. lb	189.6	235.0	309.3	234.7	173.9	271.6
Evaporated milk	Mil. lb	5.0	3.9	5.5	6.0	5.3	5.3
Total (milk-equivalent, fat-solids basis)	Mil. lb	4,285	4,660	4,886	2,651	2,089	5,645

[1]Seasonally adjusted prices as percentage of parity price. [2]Ice cream, ice milk, and sherbet. [3]Includes manufactured products for which current data are available. [4]For all urban consumers starting January 1978. [5]Natural plus processed American cheese held by CCC. [6]Excludes cream and bulk condensed milk.

In This Issue

	Page
Production	
Gains Continue	4
Feed Prices Higher	5
Milk Output Will Continue Larger	6
Marketings During 1982--A Record	7
Prices and Income	
Deductions Are Being Made	8
Compromise Legislation Proposed	8
Farm Milk Prices Below Last Year	9
Cash Receipts Larger	10
Wholesale Prices Remain Steady	10
Retail Price Gains Slight	11
Utilization	
Record Amount of Milk Used in 1982 Manufacturing	12
Commercial Use Lower	12
Total Stocks Holdings Larger	13
USDA Purchases Increase	15
Foreign Trade and Trends	
Imports Higher, Exports Lower	18
World Dairy Summary	18
Special Articles:	
Cheese Donations and Their Effect on Commercial Disappearance	21
Update of State Milk Promotion Programs	24
List of Tables	28
List of Figures	29

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Summary

Milk production during March-May was up 2.3 percent from the same period of 1982. May marked the 49th consecutive month of increase from a year earlier. The continued gains this spring were the result of larger cow numbers and additional output per cow.

Milk cow numbers in March averaged 51,000 head more than a year earlier, in part because of an increase of 19,000 from February. During April and May, though, numbers declined from March, and the herd is likely to continue to shrink, as lower real returns for milk, higher feed costs, and improved nondairy employment opportunities cause dairy farmers to cull more intensively. As a yearly average, cow numbers in 1983 likely will be up only about 0.3 percent.

Milk output per cow during March was 2.2 percent larger than a year earlier. The estimated gains during April and May were 1.8 and 1.4 percent, respectively. For the year, output per cow is expected to increase about 2 percent from the 1982 record of 12,316 pounds.

On balance, gains in milk production will likely continue to slow this year given the expected decline in the number of cows. Total production in 1983 is likely to be up 2 to 3 percent from 1982's alltime high of 135.8 billion pounds.

On April 16, USDA began a deduction of 50 cents per cwt on all milk sold by producers. Numerous legal challenges have been made to the collection program. Approximately $28.7 million had been received by mid-June. The funds are being remitted to the Commodity Credit Corporation to offset part of the cost of the dairy price support program.

In addition, USDA has asked for public comment on its proposal to implement a second 50-cent deduction during the 2 months from August 1 through September 30. Also, the Department has formally proposed for the 1983/84 marketing year (October 1, 1983, through September 30, 1984) that the price of manufacturing grade milk be supported at $13.10 per cwt and that the two 50-cent deductions, totaling $1.00 per cwt, be made. Under the proposals, there would also be a program to refund the second 50-cent deduction to producers who reduce their commercial milk marketings by a specified amount.

A record 133.4 billion pounds of milk were marketed by dairy farmers in 1982. Whole milk sold to plants and dealers comprised 97.3 percent of total production, while milk sold directly to consumers comprised 1 percent. On-farm milk use represented 1.7 percent of total production in 1982. Grade A milk (eligible for fluid markets) accounted for 85 percent of all milk sold to plants and dealers, unchanged from 1981.

For all of 1982, cash receipts totaled $18.3 billion from the combined marketings of milk and cream to plants and dealers and milk sold directly to consumers. This was a gain of less than 1 percent from 1981. In contrast, cash receipts in 1981 were up 9.3 percent from 1980. The small size of the gain during 1982 was the result of a 1.3-percent drop in the average returns per cwt of milk; combined marketings increased 2.1 percent from 1981.

The all-milk price received by farmers during March-May averaged $13.47 per cwt, even with a year earlier. However, for the first 5 months of this year, the all-milk price averaged 4 cents lower than during last year. If the price were adjusted for the 50-cent deduction that started April 16, the January-May all-milk effective return per cwt would be down 19 cents (1.4 percent) from a year earlier. The all-milk price may drop 10 to 20 cents seasonally from May and then recover 50 to 70 cents by fall. However, with supplies ample, the year's average price will likely be little changed or down slightly from 1982.

Retail dairy prices are reflecting sluggish demand and overabundant seasonal supplies of milk and dairy products. The Bureau of Labor Statistics retail price index for all dairy products in April was 250.1 (1967=100), up 1.1 percent from a year earlier. This gain was the smallest since April 1975. Retail dairy prices are likely be up about 2 percent for the year.

Commercial disappearance is expected to rise in 1983, because of lower real prices for dairy products and higher per capita real incomes. Given a larger population and expected greater use per person, a 2-percent gain could be expected. However, only a 1-percent gain is projected for commercial disappearance, partially because of the large 1983 domestic donations of dairy products and their displacement of retail sales. Commercial disappearance during January-March, based on preliminary data, was down 2.5 percent.

Gains in milk production are expected to slow while commercial disappearance recovers from first-quarter cheese displacement; thus, USDA removals of dairy products should slow in coming months from a year earlier.

Dairy Situation

PRODUCTION

Gains Continue

Milk production during March-May was up 2.3 percent from a year earlier.[1] May marked the 49th consecutive month of increased year-over-year production. The continued gains this spring were the result of more cows and additional milk per cow.

No monthly data are available for individual States during April-December 1982, due to a decrease last year in the frequency of *Milk Production* reports. However, during March 1983, all of the five leading milk-producing States posted increased production from a year earlier. Milk output in Wisconsin, the number-one producer, rose 1.8 percent from March 1982. California, the second leading producer, posted a gain of 0.4 percent in spite of

[1]Based on monthly estimates for April-December 1982, which are ERS-derived data consistent with published official USDA quarterly estimates.

U.S. Milk Production by Months

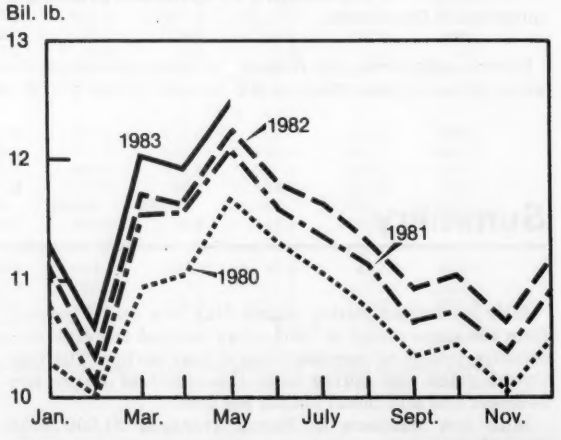


Table 2.—Milk production, milk per cow, and milk cows on farms, by months, 1980-83, with comparisons

Item	1980	1981	1982	1983[1]	Change from year earlier			
					1980	1981	1982	1983
	Million pounds				*Percent*			
Milk production[2]								
January	10,320	10,805	11,116	11,292	+3.6	+4.7	+2.9	+1.6
February	9,972	10,161	10,391	10,627	+7.4	+1.9	+2.3	+2.3
March	10,945	11,549	11,728	12,036	+3.9	+5.5	+1.5	+2.6
April	11,024	11,555	[3]11,650	11,933	+4.0	+4.8	+0.8	+2.4
May	11,697	12,099	[3]12,248	12,487	+4.0	+3.4	+1.2	+2.0
June	11,335	11,606	[3]11,825		+3.5	+2.4	+1.9	
July	11,075	11,387	[3]11,648		+3.7	+2.8	+2.3	
August	10,794	11,132	[3]11,375		+3.7	+3.1	+2.2	
September	10,353	10,659	[3]10,960		+3.7	+3.0	+2.8	
October	10,461	10,768	[3]11,055		+4.0	+2.9	+2.7	
November	10,055	10,387	[3]10,645		+4.5	+3.3	+2.5	
December	10,494	10,905	[3]11,154		+4.1	+3.9	+2.3	
Total[4]	128,525	133,013	135,795		+4.1	+3.5	+2.1	
	Pounds				*Percent*			
Milk per cow[2]								
January	958	994	1,008	1,021	+3.8	+3.8	+1.4	+1.3
February	926	934	943	962	+7.4	+0.9	+1.0	+2.0
March	1,016	1,062	1,064	1,087	+3.6	+4.5	+0.2	+2.2
April	1,023	1,061	[3]1,059	1,078	+3.4	+3.7	−0.2	+1.8
May	1,084	1,110	[3]1,113	1,129	+3.3	+2.4	+0.3	+1.4
June	1,050	1,064	[3]1,074		+2.6	+1.3	+0.9	
July	1,025	1,044	[3]1,057		+2.8	+1.9	+1.2	
August	997	1,018	[3]1,032		+2.7	+2.1	+1.4	
September	955	974	[3]993		+2.8	+2.0	+2.0	
October	964	982	[3]1,001		+3.0	+1.9	+1.9	
November	926	945	[3]963		+3.5	+2.1	+1.9	
December	966	990	[3]1,008		+3.3	+2.5	+1.8	
Total[4]	11,889	12,177	12,316		+3.5	+2.4	+1.1	
	Thousands				*Percent*			
Milk cows on farms[5]								
January	10,769	10,871	11,023	11,055	−0.2	+0.9	+1.4	+0.3
February	10,773	10,881	11,022	11,051	+0.1	+1.0	+1.3	+0.3
March	10,774	10,879	11,019	11,070	+0.3	+1.0	+1.3	+0.5
April	10,775	10,886	[3]11,000	11,067	+0.5	+1.0	+1.0	+0.6
May	10,789	10,898	[3]11,003	11,064	+0.7	+1.0	+1.0	+0.6
June	10,794	10,906	[3]11,010		+0.8	+1.0	+1.0	
July	10,803	10,904	[3]11,020		+0.9	+0.9	+1.1	
August	10,829	10,930	[3]11,024		+1.0	+0.9	+0.9	
September	10,838	10,949	[3]11,034		+0.8	+1.0	+0.8	
October	10,852	10,969	[3]11,045		+0.9	+1.1	+0.7	
November	10,858	10,993	[3]11,055		+1.0	+1.2	+0.6	
December	10,862	11,011	[3]11,060		+0.8	+1.4	+0.4	
Annual average	10,810	10,923	11,026		+0.6	+1.0	+0.9	

[1]Preliminary. [2]Excludes milk sucked by calves. [3]ERS derived data consistent with published official USDA quarterly estimates no monthly data for an individual state or region are available. [4]May not add because of rounding. [5]Excludes heifers not yet fresh.

heavy rains, while third-ranking New York raised output 3.5 percent. Minnesota's increase was 5.2 percent and Pennsylvania's gain was 1 percent. Of the 33 States surveyed in March, 24 posted increased milk production from a year earlier, 5 had a decline, while 4 were unchanged.

Feed Prices Higher

The average price paid by farmers for 16-percent protein dairy feed strengthened this spring from late winter levels. The mid-May prices averaged $184 per ton, up $2 from April and $9 from March and January of this year. The mid-May average was $3 above a year earlier, but still $16 below May 1981.

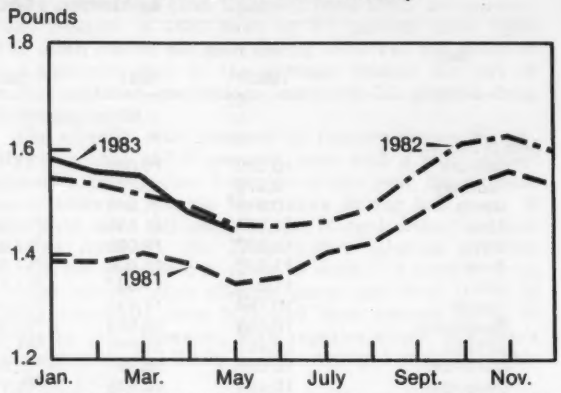
With May milk prices seasonally lower and feed costs higher, the milk-feed price relationship declined from 1.58 in January to 1.45 in May. This larger drop in the relationship (compared with last year) resulted in the ratio moving below year-earlier levels in April for the first time in 21 months. The April and May levels (1.48 and 1.45) would drop to 1.46 and 1.39, respectively, if adjusted for the 50-cent-per-cwt deductions. However, even the adjusted May level was above the May 1981 ratio of 1.35 and only slightly below the January 1973 to December 1982 average of 1.41. Thus, it appears likely

Table 3.—Milk/16-percent feed price relationship, by months, 1980-83[1]

Month	1980	1981	1982	1983
		Pounds		
January	1.54	1.39	1.55	1.58
February	1.56	1.39	1.54	1.56
March	1.56	1.41	1.52	1.55
April	1.55	1.39	1.50	1.48
May	1.53	1.35	1.46	1.45
June	1.50	1.36	1.46	
July	1.48	1.40	1.47	
August	1.42	1.43	1.49	
September	1.40	1.48	1.56	
October	1.43	1.53	1.61	
November	1.40	1.56	1.63	
December	1.39	1.54	1.60	
Average	1.48	1.44	1.53	

[1]Pounds of 16-percent protein ration equal in value to 1 pound of milk.

Milk/16-Percent Feed Price Relationship*



*Pounds of 16% protein ration equal in value to one pound of milk sold to plants and dealers.

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that the adjusted May ratio still remained favorable to continued relatively heavy rates of concentrate feeding.

Disappearance of corn during January-March this year was 2.1 billion bushels—12 percent larger than a year earlier and a record for the quarter. Use during April-September 1983 is expected to total almost 3 billion bushels—only 200 million less than free stocks on April 1. Although a record 6.4 billion bushels of corn were on hand in all positions April 1, about 3.2 billion were tied up in the farmer-owned reserve and Commodity Credit Corporation (CCC) inventory, leaving free stocks of 3.2 billion bushels. However, the corn supply situation eased somewhat in early May because of several factors: (1) the special procurement for the Payment-in-Kind program will add some additional corn to free stocks in late spring and early summer; (2) prospects for exports this spring and summer were reduced; and (3) the early-season outlook is for big 1983 grain crops abroad.

An additional factor that reduced the upward price pressure on corn was a late April-early May special survey of farmers' planting intentions. The survey showed prospective plantings somewhat larger than had been expected. As a result, the 1983 corn crop is estimated at about 6.1 billion bushels, nearly 28 percent less than the record 8.4-billion-bushels crop of last year. Adding the estimated carryover stocks of 3.4 billion bushels to the crop would give a total supply of 9.5 billion for the 1983/84 marketing year—down 1.2 billion from 1982/83. Disappearance for 1983/84 is projected at 7.4 billion bushels, leaving projected October 1, 1984, carryover at 2.1 billion. At that level, carryover would represent 29 percent of use, compared with 47 percent for this fall's carryover. This expected drop in the stocks/use ratio should mean a slightly higher corn price. The price received by farmers in 1983/84 is expected to average $2.65 to $2.90 a bushel, compared with the estimated 1982/83 season average of $2.65 and the 1981/82 average of $2.50.

The 1982 soybean crop was big, and 1982/83 supplies, at 2.54 billion bushels, are a record. Thus, in spite of increased use this year, the expected 1982/83 carryover stocks of 440 million bushels will be very large and will hold this year's season average farm price for soybeans near $5.55 a bushel, compared with 1981/82's $6.04. When carryover is combined with the expected 1983 production, the 1983/84 supplies will be down nearly 30 million bushels, while use will be up about 10 million. The resulting lower carryover stock will allow farm soybean prices to rise in 1983/84. The 1983/84 season average price is expected to be $5.50 to $7.25 a bushel.

With larger supplies of beans to crush, soybean meal prices are expected to average lower for 1982/83—$177 a ton, compared with 1981/82's $182.50. In 1983/84, with an expected reduced supply of beans, some upward pressure on meal is likely; prices will average $175 to $205 a ton.

Milk Output Will Continue Larger

Gains in milk production are expected to slow later this year, but the level of output during the fourth quar-

Table 4.—Milk-concentrate relationships, 1976-82

Year	All milk sold to plants	Ration value	Cost of concentrate fed[1]	Milk-feed difference	Returns over concentrate cost
			Dol per cwt		
1976	9.66	6.30	2.63	3.36	7.03
1977	9.72	6.21	2.61	3.51	7.11
1978	10.60	6.08	2.60	4.52	8.00
1979	12.00	6.68	2.95	5.32	9.05
1980	13.00	7.42	3.28	5.58	9.72
1981	13.80	8.02	3.44	5.78	10.36
1982	13.60	7.45	3.26	6.15	10.34

[1]Value of concentrate fed per 100 pounds of milk produced.

Table 5.—Utility cow prices, Omaha, by months, 1980-83

Month	1980	1981	1982	1983
		Dollars per cwt		
January	47.94	41.61	36.64	36.94
February	51.22	43.65	38.11	40.92
March	48.80	43.12	39.41	42.36
April	45.73	43.95	41.26	43.04
May	42.78	42.39	43.40	42.98
June	44.06	42.88	42.73	
July	43.33	43.78	42.52	
August	45.53	44.31	42.25	
September	46.56	42.47	39.71	
October	45.93	40.60	39.28	
November	43.91	38.71	36.58	
December	42.92	36.65	35.41	
Average	45.73	42.01	39.77	

ter will likely be larger than a year earlier. Milk cow numbers in March averaged 51,000 more than a year earlier—due in part to an increase of 19,000 head from the February level. During April and May cow numbers dropped slightly from month-earlier levels, but were an estimated 67,000 and 61,000 larger, respectively, than a year earlier. The herd is likely to continue to decline from the March level because of a high culling rate, due to the lower real returns for milk, higher feed costs, and improved nondairy employment opportunities. However, the pace of the reduction in the herd will be slowed by the very large number of replacements: 41 per 100 cows on farms on January 1. As a yearly average, cow numbers in 1983 likely will be up about 0.3 percent from last year.

Milk output per cow during March was 2.2 percent larger than a year earlier. The estimated gains during April and May were 1.8 and 1.4 percent, respectively. For all of 1983, output per cow is likely to increase about 2 percent from the 1982 record average of 12,316 pounds. About half of the gain will be due to the yearly genetic improvement of the herd. Other reasons for a gain include good pasture conditions, continued ample feeding of concentrates, and the substantial culling of lower-producing cows.

The pressures which have generated sharp increases in milk output since 1979 may be easing. Profitability of dairying has been slowly eroded from the relatively high level of 1979. Milk-feed price relationships are no longer highly stimulating. Growth in the replacement herd has at least slowed greatly, if not stopped. Alternatives to dairying are no longer deteriorating. However, these factors point toward a stabilization of milk production—not a downtrend which would significantly reduce the surplus.

Confounding and possibly overriding the basic economic factors are the uncertainties surrounding dairy policies. The amount and timing of deductions, the amount and timing of price support cuts, the possibility of incentives for reduced output, the very remote possibility that current production might form part of a historic base for incentive payments, and any delays from legal challenges are important unknowns. Under these conditions, dairy producers tend to postpone major production decisions—delaying the exit of some producers and the herd reductions of others. Thus, continued policy uncertainties would likely prolong the expansion in milk production.

On balance, gains in milk production will likely continued to slow this year, since the number of cows in the herd is expected to shrink. Total production in 1983 can be expected to be up 2 to 3 percent from the 1982 record of 135.8 billion pounds.

Marketings During 1982—A Record

A record 133.4 billion pounds of milk were marketed by dairy farmers in 1982, up 2.1 percent from 1981 and 5.8 percent larger than in 1980. Whole milk sold to plants and dealers (including equivalent amounts of milk for the cream sold) comprised 97.3 percent of total milk production in 1982, up a tenth of a percentage point from 1981 and three-tenths of a point from 1980. Milk sold directly to consumers by producers (and also milk produced by institutional herds) declined by 12 percent in 1982, but as a share of total production it was still 1 percent. Use of milk on farms where produced was 2.35 billion pounds, a gain of 2 percent from 1981 and the first increase in on-farm use since 1946. On-farm use was 1.7 percent of total production in 1982, the same as in 1981.

Grade A milk (eligible for fluid markets) in 1982 accounted for 85 percent of all milk sold to plants and dealers, unchanged from 1981. Grade B marketings in 1982 were 19.2 billion pounds, a decrease of 0.3 billion from 1981. Grade B marketings last year in Wisconsin and Minnesota were 9.9 billion pounds, still more than half (52 percent) of total manufacturing grade milk sold to plants and dealers.

Table 6.—Milk used and marketed by farmers, 1976-82

	1976	1977	1978	1979	1980	1981	1982[5]
				Billion pounds			
Used on farms where produced:							
Fed to calves[1]	1.6	1.5	1.5	1.4	1.4	1.4	1.5
As fluid milk or cream[2]	1.4	1.3	1.2	1.0	0.9	0.9	0.8
Total on-farm use[3]	3.0	2.8	2.7	2.5	2.3	2.3	2.3
Milk marketed by farmers:							
Sold to plants and dealers	115.5	118.2	117.2	119.4	124.7	129.2	132.1
Sold directly to consumer[4]	1.5	1.5	1.5	1.5	1.5	1.5	1.3
Total milk marketed[3]	117.2	119.8	118.8	120.9	126.2	130.7	133.4
Total milk production[1, 3]	120.2	122.7	121.5	123.4	128.5	133.0	135.8

[1]Excludes milk sucked by calves. [2]Includes farm-churned butter. [3]May not add due to rounding. [4]By producers who sell only milk from their herds. Also includes milk produced by institutional herds. [5]Preliminary.

Table 7.—Manufacturing grade milk marketed, selected States, 1980-82

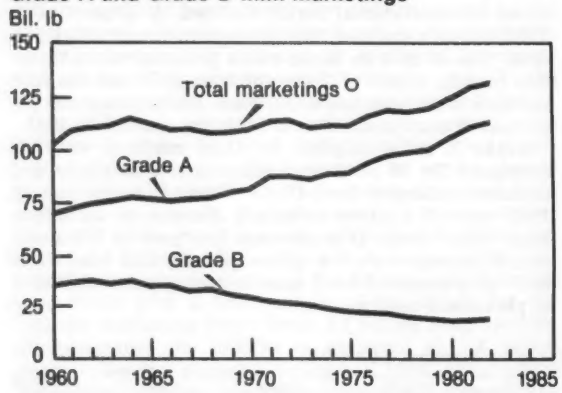
State	1980	1981	1982
		Billion pounds	
Wisconsin	6.3	6.3	6.1
Minnesota	3.9	3.9	3.8
Iowa	1.6	1.6	1.6
Missouri	.7	.7	.6
South Dakota	1.1	1.1	1.1
Idaho	1.1	1.2	1.2
Nebraska	.5	.5	.5
California	.5	.5	.5
Kentucky	.4	.4	.4
Illinois	.5	.5	.5
Total U. S.	20.0	19.5	19.2

Table 8.—Fluid grade milk as percent of all milk sold by farmers to plants and dealers, selected years[1]

Region	1970	1975	1980	1981	1982
North Atlantic	99	99	100	100	100
South Atlantic	96	98	98	98	98
West No. Central	38	49	60	62	63
East No. Central	68	75	79	79	80
South Central	84	89	93	93	93
Western	85	88	91	91	91
U.S.	74	80	84	85	85

[1]Percentage eligible for fluid use (Grade A in most States). Includes fluid grade milk used in manufactured products.

Grade A and Grade B Milk Marketings*



*Grade A is eligible for the fluid market, grade B is manufacturing grade.
oMilk sold to plants and dealers.

USDA Neg. ERS 80-83(6)

PRICES AND INCOME

Deductions Are Being Made

USDA began on April 16 to deduct 50 cents per cwt on all milk sold by producers. Numerous legal challenges have been made to the collection program. Approximately $28.7 million had been received by mid-June. The funds are being remitted to CCC to offset part of the costs of the dairy price support program.

In brief, the history of the deductions program is as follows. As authorized by Congress in the Omnibus Budget Reconciliation Act of 1982, the USDA implemented a 50-cent-per-cwt deduction on all milk marketed after December 1, 1982. However, Judge Perry of the U.S. District Court for the District of South Carolina, in December 1982, temporarily restrained and then, in early January 1983, preliminarily enjoined USDA from collecting the deductions. Taking into account the court's preliminary injunction USDA published a notice of proposed determination on January 27 the *Federal Register*. In the proposal the Secretary of Agriculture requested comments from interested parties on implementation of the first and second 50-cent deduction programs. After a review of the comments, USDA announced on March 16 that the first 50-cent deductions would begin on April 16, 1983. But, the deductions were halted on May 5 when Judge Perry issued a 20-day temporary restraining order. On May 13, the U.S. Fourth Circuit Court of Appeals stayed (stopped) the restraining order. With the deductions being made, Judge Perry on June 3rd issued a preliminary injunction. The Government filed an appeal of Judge Perry's preliminary injunction and as a result the U.S. Fourth Circuit Court of Appeals stayed the injunction pending appeal. Thus, the status of the deductions on June 16th, is that they are being made. Oral arguments will be heard by the Appeals Court the week of July 11.

In addition, USDA has asked for public comment by June 30, 1983, on its proposal to implement a second 50-cent-per-cwt deduction from August 1, 1983, through September 30, 1983. Further, USDA has proposed for the period October 1, 1983, through September 30, 1984 (marketing year 1983/84), that the price of manufacturing grade milk be supported at $13.10 per cwt and that the two 50-cent deductions, totaling $1.00 per cwt, be made. Under the proposals, there would also be a program to refund the second 50-cent deductions to producers who reduce their commercial milk marketings by a specified amount.

Compromise Legislation Proposed

Following a number of meetings between administration officials and both majority and minority members of the Agriculture Committees of the Senate and House, a possible compromise on new dairy legislation may have been reached. The bill has been passed by the House and Senate committees, but has not yet been acted upon by the full Senate and House. If passed and enacted, the compromise measure would supersede all dairy provisions of the Omnibus Budget Reconciliation Act of 1982.

As passed by the House and Senate committees, it would set the minmum support price for October 1, 1983, through September 30, 1985, at $12.60 per cwt. However, if on January 1, 1985, the Secretary of Agriculture estimated that projected annual CCC purchases would exceed 6 billion pounds, milk equivalent, he could reduce the support price by 50 cents per cwt. An additional 50-cent-per-cwt cut could be made on July 1, 1985, if annual purchases were projected to exceed 5 billion pounds, milk equivalent.

The bill also contains a mandatory 50-cent-per-cwt deduction on all milk marketed to help fund a paid diversion program. The paid diversion would be $10 per cwt for marketings below a certain base. Under the program, a producer would specify a 5- to 30-percent contract reduction below the average of his fiscal 1981 and 1982 marketings, or below his fiscal 1982 marketings, which-

Table 9.—Milk prices received by farmers, by months, 1980-83

Month	All sold to plants				Manufacturing grade			
	1980	1981	1982	1983	1980	1981	1982	1983
				Dollars per cwt				
January	12.80	14.10	14.00	13.80	11.70	13.00	13.00	12.90
February	12.80	14.00	13.80	13.80	11.70	12.90	12.80	12.80
March	12.80	13.80	13.70	13.60	11.80	12.80	12.70	12.70
April	12.70	13.70	13.50	13.50	11.80	12.70	12.60	12.70
May	12.60	13.50	13.20	13.30	11.70	12.60	12.40	12.50
June	12.50	13.40	13.20		11.70	12.50	12.30	
July	12.60	13.40	13.20		11.60	12.40	12.30	
August	12.80	13.50	13.30		11.80	12.40	12.30	
September	13.20	13.70	13.60		12.20	12.60	12.60	
October	13.70	14.00	13.80		12.70	12.90	12.90	
November	14.00	14.00	13.90		12.90	13.00	13.00	
December	14.10	14.00	13.90		13.00	13.00	13.00	
Wt. average	13.00	13.80	13.60		12.00	12.70	12.60	

ever he selected. The Secretary would have the authority to adjust individual contracts downward if the sum of contract reductions exceeded the total needed. Producers who elected to contract would be required to sign up for the duration of the program, but would get payments at the end of each calendar quarter.

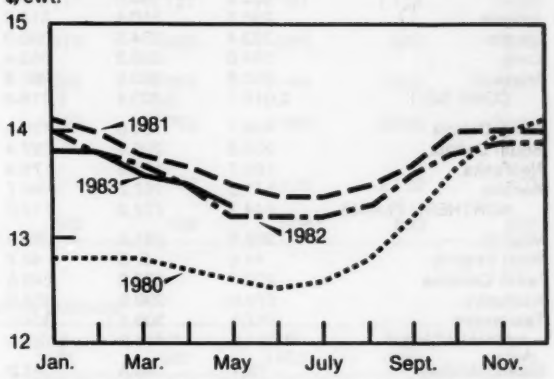
Both the paid diversion and deduction authority would apply only to the 48 contiguous States and would end on December 31, 1984. The bill as passed by the committees also includes a mandatory deduction of 15 cents per cwt for dairy product promotion, research, and nutrition education (for information on State promotion programs, see a special article in this issue).

Farm Milk Prices Below Last Year

The all-milk price received by farmers during March-May averaged $13.47 per cwt, even with a year earlier. For the first 5 months of this year, the all-milk price averaged 4 cents lower than a year earlier, but adjusted for the 50-cent deductions that started April 16, it averaged 19 cents (1.4 percent) lower. The all-milk price may fall 10 to 20 cents seasonally from May and then recover 50 to 70 cents by autumn. But, with ample supplies, the average price for this year will likely be little changed or down slightly from 1982's average of $13.60 per cwt. If the compromise bill were enacted, the lower support price of $12.60 would reduce the expected average price for 1983 by 10 to 20 cents. In addition, the all-milk price reported by USDA—either under current law or under the compromise bill—will have to be adjusted downward to reflect any differences in deductions when compared with a year earlier, since the reported price will not take the 50-cent deductions into account.

During March-May 1983, the average price of manufacturing grade milk was $12.63 per cwt, 6 cents above a year earlier. The simple average of the January-May reported prices this year was $12.72, 2 cents more than last year. However, if adjusted for the 50-cent deductions, the effective return for Grade B milk during January-May was $12.57, down 13 cents from 1982. The Grade B average price for 1983 is expected to be unchanged from 1982 under current law, and down 10 to 20 cents under the compromise bill. Like the all-milk price, the Grade B average price reported by USDA, to be comparable with 1982, will need to be adjusted to reflect any differences in deductions.

All-Milk Prices*



*U.S. average price received by farmers for deliveries to plants and dealers.

USDA Neg. ERS 5449-83(6)

Minimum Class I prices in Federal order markets have gradually declined seasonally. For July, the average Class I price will be $14.66 per cwt, the same as June. This is 11 cents below the high of $14.77 reached in both February and March this year, but 8 cents above July of last year.

Over-order prices negotiated by cooperative associations have been stable so far this year. During May, the estimated average over-order payment in Federal order markets was 60 cents per cwt, down 1 cent from the high point in January and up 3 cents from both February and March.

USDA has provided a reduction of 40 cents per cwt in the Class III price level for handlers regulated in the Texas, Ohio Valley, and Eastern Ohio-Western Pennsylvania Federal order marketing areas. This temporary price reduction during the high production period applies to milk used to produce butter, cheese, and nonfat dry milk.

Emergency transportation credits have been granted in five Federal orders, mainly in the Southeast, during the next several months. Handlers who transfer surplus milk unusually long distances will receive a credit of 3.6

Table 10.—Cash receipts from farm marketings of milk and cream, by State and farm production region, 1980-82[1]

State and region	1980	1981	1982[2]
	Million dollars		
Maine	91.6	102.4	106.1
New Hampshire	46.8	49.8	52.2
Vermont	301.3	323.0	327.6
Massachusetts	79.7	86.0	87.9
Rhode Island	6.4	6.6	6.6
Connecticut	83.7	90.5	92.8
New York	1,404.0	1,502.1	1,501.4
New Jersey	66.0	69.5	68.4
Pennsylvania	1,164.8	1,282.6	1,301.7
Delaware	16.8	17.4	18.5
Maryland	205.2	220.8	219.5
NORTHEAST	3,466.3	3,750.7	3,782.7
Michigan	647.5	694.0	703.9
Wisconsin	2,770.1	3,007.6	3,000.7
Minnesota	1,173.7	1,306.7	1,333.0
LAKE STATES	4,591.3	5,008.3	5,037.6
Ohio	552.6	598.6	617.5
Indiana	283.1	310.4	312.8
Illinois	323.4	354.5	353.2
Iowa	504.0	559.3	552.4
Missouri	352.6	380.6	380.9
CORN BELT	2,015.7	2,203.4	2,216.8
North Dakota	106.7	121.0	121.0
South Dakota	203.9	225.4	227.4
Nebraska	162.7	183.6	176.9
Kansas	171.0	192.2	186.7
NORTHERN PLAINS	644.3	722.2	712.0
Virginia	259.6	281.0	282.9
West Virginia	44.6	47.5	46.2
North Carolina	220.7	239.6	240.5
Kentucky	272.6	298.0	307.8
Tennessee	287.3	308.5	304.6
APPALACHIAN	1,084.8	1,174.6	1,182.0
South Carolina	78.1	86.5	87.2
Georgia	188.4	202.3	200.9
Florida	317.4	347.6	343.4
Alabama	87.0	89.9	83.5
SOUTHEAST	670.9	726.3	715.0
Mississippi	111.6	123.0	127.3
Arkansas	96.1	109.8	114.5
Louisiana	140.6	146.3	139.2
DELTA STATES	348.3	379.1	381.0
Oklahoma	148.6	163.7	165.6
Texas	503.0	540.9	548.6
SOUTHERN PLAINS	651.6	704.6	714.2
Montana	38.4	42.4	42.8
Idaho	233.8	273.5	283.3
Wyoming	15.9	17.2	17.0
Colorado	116.4	134.3	138.7
New Mexico	84.3	102.7	124.1
Arizona	137.6	158.9	167.8
Utah	127.5	144.1	148.7
Nevada	27.2	29.2	29.3
MOUNTAIN	781.1	902.3	951.7
Washington	378.1	413.8	436.4
Oregon	151.5	166.8	178.5
California	1,770.3	1,943.2	1,941.2
PACIFIC	2,299.9	2,523.8	2,556.1
Alaska	2.1	2.5	2.8
Hawaii	27.1	30.3	21.9
UNITED STATES	16,583.5	18,127.6	18,273.8

[1]Totals may not add due to rounding. [2]Preliminary.

cents per cwt per 10 miles that the milk is moved beyond a specified distance.

Cash Receipts Larger

For all of 1982, cash receipts from marketings of milk and cream to plants and dealers and from milk sold directly to consumers totaled $18.3 billion, a gain of less than 1 percent from 1981. In contrast, cash receipts in 1981 were up 9.3 percent from 1980. The very small size of the gain in 1982 was the result of a 1.3-percent drop in the average returns per cwt of milk, while the combined marketings increased 2.1 percent from 1981. Sales of whole milk and cream to plants and dealers contributed 98.4 percent of the cash receipts from marketings, up two-tenths of a percentage point from 1981.

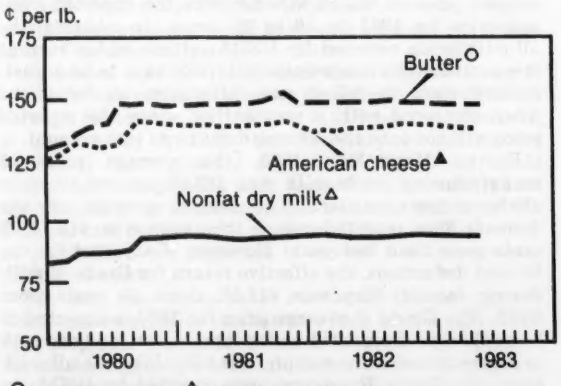
Cash receipts for the first 5 months of 1983 from milk and cream sales are estimated to have increased 1.9 percent from a year earlier—marketings were up about 2.2 percent, while the average return per cwt was down about 0.3 percent. However, if the receipts are adjusted for the 50-cent-per-cwt deduction, the January-May 1983 total was up only 0.8 percent.

Wholesale Prices Remain Steady

In mid-June, wholesale prices for Grade A butter (Chicago) averaged about $1.47 a pound. This was the same as last month's average, which was unchanged from last year and slightly lower than 2 years ago. Like butter, mid-June cheddar cheese wholesale prices were also unchanged from last month. Mid-June prices for 40-pound blocks, Wisconsin assembling points, were about $1.37 per pound. The average for May was up only one-half cent from last year and was down 1.4 cents from 2 years ago. As with butter and cheddar cheese, mid-June wholesale prices for nonfat dry milk (NDM) in the Central States area (high heat), at about 93.4 cents per pound, were unchanged from the May average, which was only about one-half cent above both 1982 and 1981.

The steady wholesale prices for the products USDA purchases are the result of supplies being more than ample relative to use and there being no change in CCC purchase prices from the October 1980 levels. Reflecting the steady prices for butter, NDM, and cheddar cheese,

Wholesale Dairy Product Prices



○Grade AA Chicago. △High-heat, central-states. ▲40-lb. block, Wisconsin assembly points.

USDA Neg. ERS 79-83(6)

Table 11.—Wholesale dairy product prices and indexes

Item	Unit	May '81	Oct. '81	Avg. '81	May '82	Oct. '82	Avg. '82	May '83
Butter, A, Chicago	cents/lb	147.31	150.57	147.99	147.25	147.44	147.69	147.25
Cheese, 40-lb blocks, Wisconsin assembly points	cents/lb	138.82	140.94	139.44	136.88	140.28	138.27	137.38
Nonfat dry milk, Central States, high heat	cents/lb	92.90	93.57	93.11	92.88	93.12	93.15	93.38
Wholesale price index								
(all dairy products)	(1967=100)	244.6	247.4	245.6	248.5	249.8	248.9	250.9
Fresh whole milk	(1967=100)	192.9	195.5	194.4	197.8	198.3	197.9	199.9
Butter	(1967=100)	224.4	229.6	225.6	225.8	227.9	226.9	226.4
Cheese	(1967=100)	308.8	312.0	309.4	312.3	316.0	313.2	314.1
Nonfat dry milk	(1967=100)	460.3	468.2	462.6	461.5	461.5	462.9	462.7
Ice cream	(1967=100)	233.4	233.6	232.8	235.7	238.3	235.9	240.8

Table 12.—Retail dairy product prices

Item	Unit	Apr. 1981	Oct. 1981	Avg. 1981	Apr. 1982	Oct. 1982	Avg. 1982	Apr. 1983
Milk, fresh, whole[1]	$ per 1/2 gal	1.116	1.124	1.117	1.127	1.121	1.124	1.133
Milk, fresh, skim	$ per 1/2 gal	.974	.988	.976	.983	.979	.979	.980
Milk, fresh, lowfat	$ per 1/2 gal	1.070	1.060	1.065	1.065	1.064	1.062	1.082
Butter, salted, Grade AA, sticks	$ per lb	1.991	1.997	1.993	2.050	2.056	2.046	2.066
Ice cream, pre-packaged, bulk, regular	$ per 1/2 gal	2.024	2.032	2.016	2.089	2.136	2.102	2.107
Yogurt, natural, fruit-flavored	$ per 1/2 pt	.492	.511	.500	.499	.508	.503	.505

[1]Vitamin D fortified.

Table 13.—Retail price indexes[1]

Item	Index base	Apr. 1981	Oct. 1981	Avg. 1981	Apr. 1982	Oct. 1982	Avg. 1982	Apr. 1983
Consumer price index	1967=100	266.8	279.9	272.4	284.3	294.1	289.1	295.5
All food	1967=100	272.9	277.6	274.6	283.9	287.0	285.7	291.9
All dairy products	1967=100	243.5	244.6	243.6	247.5	247.1	247.0	250.1
Fluid milk and cream	12/77=100	134.6	134.7	134.5	135.9	135.0	135.4	136.6
Whole milk	1967=100	220.4	220.2	220.2	222.2	220.8	221.4	223.5
Other	12/77=100	134.5	135.2	134.5	136.2	135.3	135.6	136.7
Manufactured dairy products	12/77=100	142.0	143.3	142.2	145.6	146.2	145.6	148.1
Butter	1967=100	244.3	247.2	245.5	250.1	252.6	251.1	253.9
Cheese	12/77=100	140.6	140.9	140.3	143.7	144.7	143.9	146.5
Frozen desserts	12/77=100	146.7	149.9	147.3	150.9	150.4	150.4	152.0
Other	12/77=100	135.7	137.0	136.3	139.9	141.0	140.2	144.5

[1]For all urban consumers.

the May wholesale all-dairy-products index as reported by the Bureau of Labor Statistics (BLS) stood at 250.9 (1967=100), up only 1 percent from last year. May's increase marked the smallest year-to-year change in the wholesale price index for dairy products since April 1975.

Under current law, the minimum price support level on October 1 will be unchanged—$13.10 per cwt. If USDA sets the support level at the minimum, then CCC purchase prices could remain unchanged. Thus, with continued large supplies and the possibility that CCC prices could remain unchanged, wholesale prices are expected to remain near current levels. For all of 1983, the BLS wholesale index for all dairy products will likely average about 1 percent higher than for 1982. However, if the compromise bill is enacted, the index could average about the same as last year.

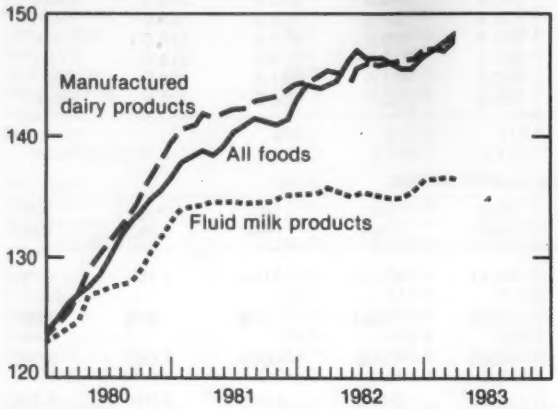
Retail Price Gains Slight

Retail prices are reflecting sluggish demand and more than abundant supplies of milk and dairy products. The BLS retail price index for all dairy products in April was 250.1 (1967=100), up by 1.1 and 2.7 percent from last year and the year before, respectively. The 1.1-percent

gain was the smallest since April 1975. Retail dairy price gains are likely to be up about 2 percent in 1983. If the compromise bill were enacted, retail prices for the year would average about 1 percent higher than in 1982.

Retail Food and Dairy Product Prices

Dec. 1977 = 100



USDA Neg. ERS 38-83(6)

UTILIZATION

Record Amount of Milk Used In 1982 Manufacturing

Milk used in manufacturing dairy products during 1982 totaled 80.6 billion pounds (milk-equivalent, fat-solids basis)—2.7 billion pounds (3.5 percent) more than the 1981 record. The amount of milk used for fluid products declined from 50.2 billion pounds in 1981 to 49.4 billion (fat-solids- basis) in 1982, a drop of 1.6 percent. The amount of fluid-eligible milk used in manufacturing during 1982 was 61.4 billion pounds.

Butter output (excluding that churned from whey cream, but including residual cream from fluid and other markets) claimed 1.5 percent more milk in 1982 than in 1981, using nearly 25 billion pounds. Cheese production (not including cottage cheese) used a total of 38.9 billion pounds of milk in 1982, up 6.4 percent from 1981. American-type cheese required 27.5 billion pounds, a gain of 5.1 percent; other-than-American types used 11.4 billion pounds, 10 percent more than 1981. Output of ice cream and other frozen dairy products in 1982 totaled 12.1 billion pounds, milk-equivalent, fat-solids basis, a gain of 1.4 percent from 1981.

Commercial Use Lower

Because of a correction in milk-equivalent imports, the USDA estimate of commercial disappearance of milk and

Table 14.—Production of selected manufactured dairy products, annual, 1980-82

Item	1980	1981	1982[1]	Change from year earlier 1981	1982
	Million pounds			*Percent*	
Butter	1,145.3	1,228.2	1,257.0	+7.2	+2.3
American cheese	2,375.8	2,642.3	2,750.5	+11.2	+4.1
Other cheese	1,608.5	1,635.3	1,789.4	+1.7	+9.4
Cottage cheese[2]	1,004.4	981.7	966.4	−2.3	−1.6
Canned milk	724.7	757.9	734.9	+4.6	−3.0
Dry whole milk	82.7	92.7	102.2	+12.1	+10.2
Ice cream	829.8	832.4	851.7	+.3	+2.3
Milk equivalent[3]	73,327	77,916	80,583	+6.3	+3.4
Nonfat dry milk	1,160.7	1,314.3	1,400.6	+13.2	+6.6

[1]Preliminary. [2]Creamed and lowfat. [3]Total reported manufactured products.

Table 15.—Production of selected manufactured dairy products with comparisons

Item	Jan.-March 1981	Change from 1980	Jan.-March 1982	Change from 1981	Jan.-March 1983[1]	Change from 1982
	Million pounds	*Percent*	*Million pounds*	*Percent*	*Million pounds*	*Percent*
Butter	347.0	+13.1	366.6	+5.6	380.7	+3.8
American cheese	645.9	+15.7	662.1	+2.5	705.2	+6.5
Other cheese	388.7	−2.0	411.9	+6.0	439.1	+6.6
Cottage cheese[2]	245.3	−3.3	242.2	−1.3	238.8	−1.4
Canned milk	169.6	−5.6	173.7	+2.4	163.6	−5.8
Dry whole milk	20.5	−2.4	26.2	+27.8	26.6	+1.5
Ice cream	181.4	−3.3	184.8	+1.9	194.3	+5.1
Milk equivalent[3]	18,937.0	+9.5	19,531.0	+3.1	20,569.0	+5.3
Nonfat dry milk	304.5	+25.7	347.2	+14.0	368.4	+6.1

[1]Preliminary. [2]Creamed and lowfat. [3]Total reported manufactured products.

Table 16.—Use of market supply of milk, 1976-82

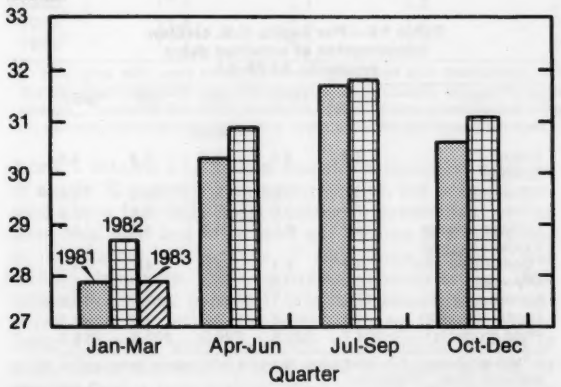
Item	1976	1977	1978	1979	1980	1981	1982[1]
	Billion pounds (milk equivalent)						
Fluid use	51.5	51.4	51.2	51.4	50.9	50.2	49.4
Butter[2]	19.4	21.9	19.7	19.4	22.8	24.6	25.0
Cheese							
American	20.6	20.5	20.7	21.9	23.8	26.2	27.5
Other	8.2	8.4	9.2	9.7	10.2	10.3	11.4
Creamed cottage cheese	1.0	1.1	1.1	1.0	1.0	1.0	1.0
Evap. & condensed milk[3]	2.5	2.4	2.3	2.3	2.1	2.3	2.2
Dry whole milk	0.6	0.5	0.5	0.6	0.6	0.7	0.8
Frozen dairy products, net	11.6	11.7	11.7	11.7	11.9	12.0	12.1
Other factory products	0.7	0.7	0.7	0.9	0.9	0.8	.7
Total factory products[4]	64.7	67.1	65.9	67.5	73.3	77.9	80.6
Miscellaneous[5]	1.3	1.6	2.1	2.3	2.2	2.8	3.7
Market supply of milk[6]	120.4	122.9	121.9	123.7	128.7	133.2	136.0

[1]Preliminary. [2]Excludes milk equivalent of whey cream, includes milk equivalent of residual cream from fluid and other uses. [3]Canned and bulk. [4]May not add due to rounding. [5]Minor miscellaneous uses and any inaccuracies of independently determined use items. [6]Milk marketed by farmers, net imports of ingredients such as frozen cream, butterfat-sugar mixtures and "ice cream", and net change in storage cream.

dairy products during 1982 has been lowered. Disappearance in 1982 represented a gain of 1.6 percent from 1981, not 2 percent. Commercial disappearance of all dairy products during October-December 1982, on a milk-equivalent, fat-solids basis, was up 1.6 percent from fourth-quarter 1981. The gain at the end of 1982 followed a rise of 2.3 percent during the first half of the year and a slight gain in the third quarter. For all of 1982, commercial disappearance was 122.5 billion pounds.

Commercial disappearance is likely to rise again in 1983, because real prices for dairy products will be lower and per capita real incomes will be higher. Taking into account a larger population and the possible higher per person use, a gain of about 2 percent could be expected. However, a gain of only about 1 percent is projected, partially because of the large 1983 domestic donations of dairy products and their displacement of retail sales. Commercial disappearance during January-March, based on preliminary data, was down 2.5 percent, but it will likely recover because of a lower rate of donations and a stronger economy (for more information on the displacement of sales by cheese donations see a special article in this issue).

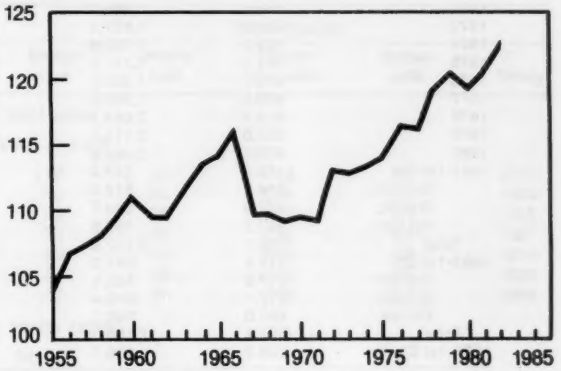
Commercial Disappearance of Milk in All Products*



*Milk equivalent.

USDA Neg. ERS 2075-83(6)

Total Commercial Disappearance*



*Milk in all products.

USDA Neg. ERS 72-83(6)

Comparing commercial sales of major dairy products in the first quarter with a year earlier, butter declined 1.5 percent, American cheese was off 15.2 percent, fluid products were down 0.8 percent, and canned milk dropped 4.3 percent. Meanwhile, sales of cheese other than American types increased 7.2 percent during the first quarter, and nonfat dry milk was up 3.8 percent.

Total Stock Holdings Larger

Total commercial dairy stocks on April 1 were 5 billion pounds (milk-equivalent, fat-solids basis), down by 0.2 billion pounds from a year earlier, but up by 0.4 billion pounds from last fall (stocks on October 1 were equivalent to 4.6 billion pounds of milk). While holdings by the trade remain low, Government stocks continue to grow. Milk-equivalent inventories held by USDA on

Table 17.—Commercial disappearance: Total milk, annual and quarters, 1980-83[1]

Item	1980	1981	1982[2]					1983
	Year	Year	Quarters I	II	III	IV	Year	Quarter I
			Billion pounds					
Production	128.5	133.0	33.2	35.7	34.0	32.9	135.8	34.0
Farm use	2.3	2.3	.6	.6	.6	.6	2.3	.6
Marketings	126.2	130.7	32.7	35.1	33.4	32.3	133.5	33.4
Beginning commercial stocks	5.4	5.8	5.4	5.2	5.0	4.6	5.4	4.6
Imports	2.1	2.3	.4	.6	.6	.9	2.5	.6
Total supply	133.7	138.8	38.5	40.9	39.0	37.7	141.3	48.3
Ending commercial stocks	5.8	5.4	5.2	5.0	4.6	4.6	4.6	5.0
Net removals	8.8	12.9	4.7	4.9	2.6	2.1	14.3	5.6
Commercial disappearance (actual)	119.2	120.5	28.7	30.9	31.8	31.1	122.5	27.9
Percent change[3]	[4]−1.1	[4]+1.4	+2.5	+2.2	+0.3	+1.6	+1.6	−2.5

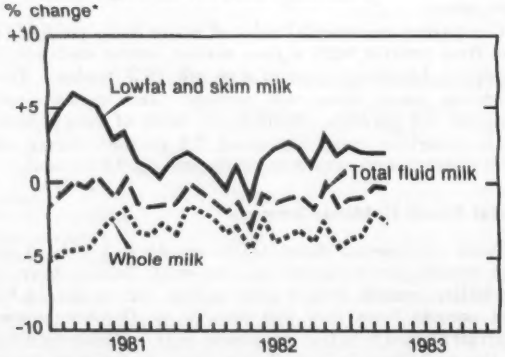
[1]Milk-equivalent, fat-solids basis. Totals may not add because of rounding. [2]Preliminary. [3]From year earlier, using unrounded data. [4]On a daily average basis.

Table 18.—Commercial disappearance: Selected dairy products, 1972-83[1]

Year	Butter[2]	Cheese		Nonfat dry milk	Canned milk	Frozen products[4]
		American[3]	Other			
		Million pounds				Million gallons
1972	*885.4*	*1,595.7*	*1,127.8*	919.2	1,102.6	1,108.6
1973	855.6	1,677.1	1,210.2	1,110.1	1,056.7	1,118.6
1974	929.9	1,780.6	1,276.5	809.9	999.5	1,128.0
1975	*951.0*	*1,717.1*	*1,331.9*	*697.0*	924.0	1,183.9
1976	919.0	1,920.9	1,458.0	719.2	899.0	1,154.0
1977	859.8	1,958.8	1,512.3	682.2	775.2	1,167.6
1978	*903.5*	*2,064.7*	*1,655.5*	*658.4*	*776.1*	1,173.5
1979	895.0	2,113.1	1,730.4	603.1	773.7	1,152.1
1980	878.8	2,023.9	1,827.9	538.8	732.5	1,166.9
1981-1st Qtr.	*188.9*	*528.4*	*432.5*	*104.6*	*177.9*	249.0
2nd Qtr.	214.2	518.3	450.4	86.2	159.2	326.5
3rd Qtr.	222.9	544.7	459.8	155.4	167.1	347.7
4th Qtr.	*243.2*	*556.5*	*532.9*	*118.0*	*246.0*	*244.6*
Total	869.2	2,147.9	1,875.6	464.1	750.4	1,167.7
1982-1st Qtr.	211.4	541.3	462.9	94.4	170.6	249.3
2nd Qtr.	*217.6*	*546.1*	*484.5*	*75.2*	*150.1*	*333.7*
3rd Qtr.	217.1	549.4	501.0	150.0	164.7	345.8
4th Qtr.	251.0	528.1	598.2	120.1	230.0	247.5
Total	*897.1*	*2,165.0*	*2,044.6*	*439.6*	*715.3*	*1,176.2*
1983-1st Qtr.[5]	208.3	459.2	496.1		163.3	263.2

[1]Total may not add because of rounding. [2]Imports include butter-equivalent of butteroil. [3]Imports include colby cheese; stocks do not include processed cheese. [4]Excludes Mellorine. [5]Preliminary.

Daily Average Sales of Fluid Milk Items



*From year earlier. Adjusted for calendar composition.

USDA Neg. ERS 2705-83(6)

Table 19.—Per capita U.S. civilian consumption of selected dairy products, 1978-82

Item	1978	1979	1980	1981	1982[2]
			Pounds		
Butter	4.4	4.5	4.5	4.3	4.5
Cheese					
American	9.6	9.6	9.7	10.3	11.4
Other	7.4	7.6	8.0	8.1	8.6
Cottage cheese	4.7	4.5	4.5	4.4	4.2
Evaporated and condensed milk	4.1	4.1	3.8	4.1	4.0
Dry whole	0.3	0.3	0.3	0.2	0.1
Ice cream	17.4	17.1	17.4	17.2	17.5
Nonfat dry milk	4.1	3.3	3.0	2.6	2.7
Fluid products[1]	234.7	232.4	226.9	221.8	215.8

[1]Milk-equivalent, fats-solid basis of whole milk, cream items, lowfat, and skim items. [2]Preliminary.

Table 20.—Milk and dairy product sales (domestic disappearance, commercial sources), total and per capita, United States, 1976-82[1]

Year	Fluid milk products sales					Butter	Cheese			Evaporated and condensed	
	Fluid whole milk	Cream[2]	Low-fat milk[3]	Total product weight	Whole milk equivalent[4]		Whole and part skim milk[5]		Cottage cheese[6]	Whole milk	Skimmed milk
							American	Other			
					Total sales						
					Million pounds						
1976	37,061	1,189	17,710	55,960	51,502	932	1,917	1,441	1,023	1,046	783
1977	35,638	1,199	18,988	55,825	51,380	860	1,916	1,489	1,029	915	854
1978	34,938	1,214	19,813	55,965	51,175	894	2,055	1,621	1,036	885	772
1979	33,937	1,251	20,647	55,835	51,386	921	2,116	1,698	1,010	896	750
1980	32,754	1,276	21,743	55,773	50,855	894	2,015	1,795	1,017	839	747
1981[7]	31,685	1,316	22,443	55,444	50,215	880	2,202	1,841	992	914	726
1982[7]	30,670	1,335	22,780	54,785	49,360	872	2,207	1,990	978	907	701
					Per capita sales[8]						
					Pounds						
1976	172	5.5	82.2	260	239	4.3	8.8	6.6	4.7	4.8	3.6
1977	164	5.5	87.1	256	236	3.9	8.7	6.8	4.7	4.2	3.9
1978	159	5.5	89.9	254	232	4.0	9.3	7.3	4.7	4.0	3.5
1979	152	5.6	92.5	250	230	4.1	9.4	7.6	4.5	4.0	3.3
1980	145	5.7	96.3	247	225	3.9	8.9	7.9	4.5	3.7	3.3
1981[7]	139	5.8	98.4	243	221	3.8	9.6	8.0	4.3	4.0	3.2
1982[7]	133	5.8	98.9	238	214	3.8	9.5	8.6	4.2	3.9	3.0

	Frozen products				Dry Products				
	Ice cream	Ice milk	Sherbet	Other	Mello-rine	Whole milk	Nonfat dry milk	Butter-milk	Whey[9]
				Total sales					
				Million pounds					
1976	3,928	1,574	322	64	112	33	743	38	527
1977	3,887	1,694	324	72	90	34	698	59	530
1978	3,914	1,705	312	77	78	56	640	50	543
1979	3,893	1,632	288	72	75	66	692	42	597
1980	3,983	1,614	284	82	83	63	842	42	604
1981[7]	3,996	1,601	288	[10]144	54	39	559	45	629
1982[7]	4,088	1,542	287	[10]150	48	34	569	40	669
				Per capita sales[8]					
				Pounds					
1976	18.1	7.2	1.5	0.3	0.5	0.2	3.4	0.2	2.4
1977	17.7	7.7	1.5	.3	.4	.2	3.2	.3	2.4
1978	17.6	7.7	1.4	.4	.4	.3	2.9	.2	2.4
1979	17.3	7.3	1.3	.3	.3	.3	3.1	.2	2.7
1980	17.5	7.1	1.3	.3	.3	.3	2.8	.2	2.7
1981[7]	17.4	7.0	1.3	.6	.2	.2	2.4	.2	2.7
1982[7]	17.7	6.7	1.2	.6	.2	.1	2.6	.2	2.9

[1]Excludes milk used on farms where produced and distribution from USDA supplies; includes sales to the Armed Services for use in the United States. [2]Includes milk and cream mixtures. [3]Includes skim milk, buttermilk, flavored milk drinks, and yogurt. [4]Fat-solids basis. [5]Excludes cottage cheese. [6]Includes full-skim American. [7]Preliminary or estimated. [8]Based on resident population, except fluid milk product sales, which are based on estimated population using fluid products from purchased sources. [9]Includes modified whey products starting 1975. [10]Includes frozen yogurt.

April 1 totaled 17.1 billion pounds, a dramatic increase of nearly 33 percent from a year earlier, but only 4.6 percent above last fall's total holdings. Government stocks have held near last fall's level not because of a slowdown in purchases, but because of very large domestic and foreign donations. Milk-equivalent donations for 1982 totaled 8.2 billion pounds (7.6 billion domestically), compared with 3.6 billion for 1981. During fourth-quarter 1982, donations were equivalent to 3.1 billion pounds of milk, about one-third of total 1982 donations and up 79 percent from a year earlier. First-quarter 1983 donations were equal to 4.0 billion pounds of milk, an increase of 202 percent from January-March 1982.

USDA Purchases Increase

Net removals during 1982 were 14.3 billion pounds (milk-equivalent, fat-solids basis), compared with 12.9 billion in 1981, an increase of 11 percent. The USDA has continued to buy large amounts of dairy products this year because of surplus production. Milk-equivalent purchases totaled 9.6 billion pounds during January-May, nearly 21 percent more than a year earlier. With gains in milk production expected to slow while commercial use recovers from the first-quarter American cheese sales displacement problems, USDA removals of dairy products relative to a year earlier should slacken in coming

Table 21.--Milk solids in all dairy products: Production and disposition, 1976-82

Year	Production 1/	Civilian disposition					
		Sold by farmers	Consumed on farms where produced 2/	USDA donations 3/	Sales 4/	Total	Per capita
	Million pounds						Pounds
	Milkfat						
1976	4,402	4,294	51	17	4,211	4,279	19.8
1977	4,481	4,378	47	109	4,158	4,314	19.8
1978	4,455	4,357	43	85	4,284	4,412	20.0
1979	4,518	4,428	38	88	4,357	4,483	20.1
1980	4,696	4,611	34	158	4,307	4,499	19.9
1981 5/	4,843	4,759	33	136	4,345	4,514	19.8
1982 5/	4,961	4,875	31	270	4,417	4,718	20.5
	Milk solids-not-fat						
1976	10,335	10,081	118	32	8,212	8,244	38.2
1977	10,536	10,283	110	71	8,135	8,206	37.6
1978	10,446	10,217	100	73	8,146	8,219	37.3
1979	10,613	10,401	89	65	8,235	8,300	37.2
1980	11,040	10,839	81	100	8,132	8,232	36.5
1981 5/	11,426	11,228	76	97	8,189	8,286	36.4
1982 5/	11,665	11,463	72	191	8,306	8,497	37.0

1/ Quantities produced and used, estimated by applying the percentage of milkfat and solids-not-fat in each product to the amount of products. 2/ Fluid milk and cream and farm-churned butter. 3/ Butter, cheese, evaporated milk, nonfat dry milk, and dry whole milk for welfare purposes, institutions, and the school lunch program. 4/ Includes special milk program. 5/ Preliminary.

Table 22.—Selected dairy products: Supply and utilization, 1976-82

Year and item	Supply				Utilization					Ending stocks
	Beginning stocks	Production	Imports	Total supply	Foreign		Domestic			
					Exports	Shipments[1]	Military	Civilian	Total use[2]	
	Million pounds									
Butter[4]										
1976	11	979	2	992	1	3	7	934	945	47
1977	47	1,086	2	1,135	2	2	5	941	950	185
1978	185	994	2	1,181	1	4	3	966	974	207
1979	207	985	2	1,194	1	4	6	1,007	1,018	178
1980	178	1,145	2	1,325	1	2	5	1,012	1,020	305
1981[3]	305	1,228	3	1,536	119	2	4	982	1,107	429
1982[3]	429	1,257	3	1,689	171	2	20	1,030	1,222	467
American cheese										
1976	308	2,054	14	2,376	6	16	4	1,938	1,964	412
1977	412	2,047	16	2,475	7	12	7	2,026	2,052	423
1978	423	2,079	18	2,520	4	12	9	2,116	2,141	379
1979	379	2,194	18	2,591	5	15	21	2,143	2,184	407
1980	407	2,381	18	2,806	5	13	14	2,183	2,215	591
1981[3]	591	2,648	20	3,259	4	12	10	2,344	2,370	889
1982[3]	889	2,757	18	3,664	31	13	13	2,625	2,682	982
Other cheese										
1976	61	1,267	193	1,521	3	10	3	1,438	1,454	67
1977	67	1,311	194	1,572	3	16	2	1,487	1,508	64
1978	64	1,441	224	1,729	6	22	2	1,621	1,651	78
1979	78	1,523	230	1,831	7	20	3	1,695	1,725	106
1980	106	1,603	213	1,922	8	20	2	1,793	1,823	99
1981[3]	99	1,629	228	1,956	8	21	2	1,838	1,869	87
1982[3]	87	1,782	252	2,121	26	22	2	1,988	2,038	83
Evaporated and condensed milk[5]										
1976	59	1,203	1	1,263	49	76	0	1,067	1,192	71
1977	71	1,039	1	1,111	34	62	1	939	1,036	75
1978	75	1,013	1	1,089	37	81	2	899	1,019	70
1979	70	1,035	0	1,105	42	73	2	911	1,028	77
1980	77	945	(7)	1,022	43	70	3	854	970	52
1981[3]	52	1,024	5	1,081	35	68	1	931	1,035	46
1982[3]	46	1,028	7	1,081	19	84	1	925	1,029	52
Nonfat dry milk[6]										
1976	469	926	2	1,397	126	8	0	764	911	486
1977	486	1,107	2	1,595	156	8	0	729	917	678
1978	678	920	2	1,600	261	9	1	689	1,015	585
1979	585	909	2	1,496	185	12	1	739	1,012	485
1980	485	1,161	5	1,651	289	9	11	674	1,064	587
1981[3]	587	1,314	3	1,904	344	12	10	598	1,006	890
1982[3]	890	1,401	2	2,293	318	5	10	620	1,011	1,282

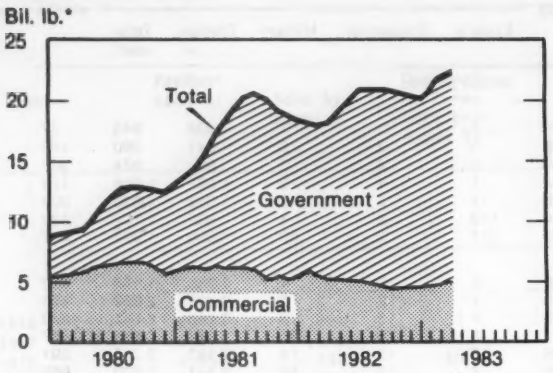
[1]To U.S. territories. [2]Includes that fed to animals or wasted where applicable. [3]Preliminary. [4]Includes butter-equivalent of butteroil. [5]Unskimmed includes both bulk and case goods. [6]Human food only. [7]Less than 50,000 pounds.

Table 23.—U.S. dairy product ending stocks, annual and quarters, 1976-83

	Commercial						Government				
	Butter	American cheese	Other cheese	Canned milk	Nonfat dry milk	Milk equivalent[1]	Butter[2]	American cheese[3]	Canned milk	Nonfat dry milk	Milk equivalent[1]
	Million pounds										
1976	28.0	409.8	67.1	70.6	98.8	5,299	19.1	1.6	0.1	386.6	410
1977	34.2	361.5	64.0	75.2	60.7	4,916	150.7	60.5	[5]	617.2	3,710
1978	15.2	349.1	78.4	70.3	40.1	4,475	191.8	29.7	[5]	545.0	4,254
1979	25.2	403.7	105.6	76.7	92.6	5,419	152.6	2.8	0.3	392.7	3,180
1980-1st	41.9	384.6	107.4	76.2	83.7	5,600	175.3	5.6	0.3	361.6	3,676
2nd	46.5	433.3	110.6	115.8	137.4	6,283	249.4	59.2	0.4	411.0	5,737
3rd	43.7	422.7	112.4	119.6	76.2	6,116	259.3	143.0	0.7	523.2	6,768
4th	36.5	422.8	99.3	51.8	85.0	5,752	268.2	168.6	1.2	501.7	7,207
1981-1st	53.0	410.3	89.7	39.5	96.5	5,868	354.4	237.1	0.9	536.1	9,490
2nd	40.9	425.4	100.8	77.0	116.3	5,921	466.6	402.5	0.6	616.8	13,613
3rd	31.9	374.5	95.7	101.1	87.2	5,255	457.6	511.9	1.0	721.8	14,558
4th	47.3	373.8	86.6	46.0	86.7	5,398	381.9	515.4	0.8	803.0	12,980
1982-1st	40.3	367.8	80.9	47.7	94.4	5,167	407.4	449.4	0.6	881.2	12,855
2nd	26.5	365.6	91.6	89.1	127.5	5,042	515.1	537.6	0.6	1,004.9	15,949
3rd	23.2	318.1	99.2	103.3	89.8	4,569	486.8	636.9	1.0	1,150.3	16,347
4th	28.1	334.7	82.8	51.9	93.3	4,603	438.7	646.8	1.0	1,188.7	15,451
1983-1st[4]	29.7	376.1	85.3	48.4	81.4	5,047	503.3	641.8	0.7	1,224.3	17,156

[1]Includes butter equivalent of butteroil. [2]Includes processed cheese held by USDA. [3]Includes manufactured products for which current monthly series are available (excludes nonfat dry milk). [4]Preliminary. [5]Less than 50,000 pounds.

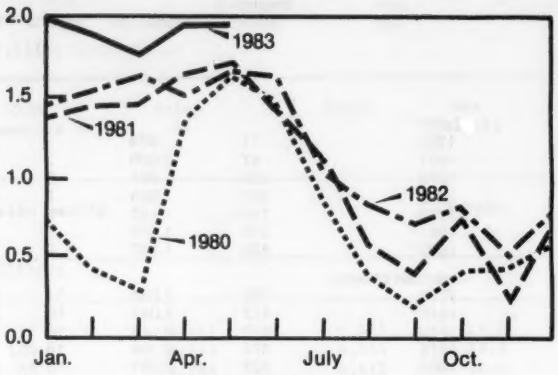
Dairy Product Stocks:○ Milk-Equivalent Fat-Solids Basis, Beginning Jan. 1



○As of first of month. *Milk equivalent, fat-solids basis.

USDA Neg. ERS 8448-83(6)

USDA Dairy Product Purchases*



*Net removals, milk equivalent, fat-solids basis.

USDA Neg. ERS 8449-83(6)

Table 24.—USDA dairy purchases, with comparisons[1]

Item	January-May		
	1982	1983	Change
	Million pounds		*Percent*
Butter	254.8	281.3	+10.4
American cheese	267.8	379.0	+41.5
Nonfat dry milk	423.6	479.4	+13.2
Evaporated milk	6.7	9.5	+41.8
Milk-equivalent, fat-solids basis	7,923.2	9,574.7	+20.8

[1]Deliveries minus unrestricted sales.

Table 25.—Uncommitted CCC stocks, selected dates, 1981-83

	Butter	American cheese	Nonfat dry milk
June 1, 1981	411.0	439.0	641.2
Oct. 1, 1981	216.5	554.4	811.1
Feb. 1, 1982	250.4	547.4	902.2
June 1, 1982	427.6	695.5	1,053.0
Oct. 1, 1982	402.7	825.1	1,177.1
Feb. 1, 1983	413.4	771.9	1,285.2
June 1, 1983	470.3	790.4	1,253.6

months. Removals for calendar 1983 are projected to be between 14 billion and 17 billion pounds, milk-equivalent.

FOREIGN TRADE AND TRENDS

Imports Higher, Exports Lower

Based on Bureau of the Census published data, U.S. imports of milk and dairy products during January-March this year totaled 633 million pounds (milk-equivalent, fat-solids basis), 50 percent more than a year earlier. Total cheese imports (quota and nonquota, product-weight basis) were up 39 percent. Imports of quota-type cheese were up 34 percent and were 22 percent of the 1983 fixed annual quota. Note that the product quotas are annual totals for 1983 and do not restrict when the product may be imported during the year. Leading the way was the American-type categories, with a gain of 334 percent from first-quarter 1982. Cheese imports of the nonquota types (by product weight) totaled 64 percent above a year earlier.

Imports of most of the dairy products other than cheese during first-quarter 1983 were larger than a year earlier. The item with the largest increase was frozen cream—up 812 percent and equal to 49 percent of its fixed annual quota. Of the two noncheese imports not subject to quota, lactose (milk sugar) was up by a fifth, while casein was up 9 percent.

Exports of U.S. dairy products during the first quarter were equal to 500 million pounds of milk, down 68 percent from 1982, when large exports of butter occurred because of the 1981 New Zealand butter sale.

The value of U.S. dairy products exported rose to $347 million in 1982, an increase of 15 percent from a year earlier, primarily because of the New Zealand butter sale. The value of U.S. imports was $612 million in 1982, a gain of 18 percent. As a result, the U.S. net dairy trade during 1982 had a deficit value (exports minus imports) of $264 million, a $48 million (22 percent) larger deficit than 1981's $216 million.

World Dairy Summary[2]

Production of milk and dairy products is continuing to rise sharply in most of the major dairy-producing areas of the world. While more milk is welcomed in India and the USSR, it is not needed in the European Community (EC) or here in the United States.

Cow's milk production for the 36 major dairy countries is projected to total around 398 million metric tons this year, an increase of 2 percent—approximately equal to last year's gain. Most of the expansion this year is likely to come from the Soviet Union, the EC, the United States, and India.

[2]Prepared by William Paddock, Livestock and Dairy Division, FAS, USDA, (202) 382-1347.

Each of the major dairy products—butter, cheese, nonfat dry milk, and casein—will show sharper production increases in 1983 than the 2-percent increase in milk production. With consumption of fluid milk trending down, the expansion in milk output is being funneled into manufactured dairy products. Unfortunately, demand for these products in 1983, as in 1982, is not matching the increased output. Therefore, world stocks are continuing to build this year.

Table 26.—Dairy products: U.S. imports, quota and non-quota, total 1982 and January-March, 1982-83[1]

Product	Calendar year quota	1982 Imports	March			Cumulative, January-March		
			1982	1983	1983 as a % of 1982	1982	1983	1983 as a % of 1982
	Thousand pounds				*Percent*	*Thousand pounds*		*Percent*
Cheese, quota types								
American-cheddar	12,205.3	[4]12,682	108	769	712	1,089	2,126	195
-*Other*	7,545.4	5,163	0	113	[5]	94	3,004	[5]
Italian-original loaves	12,374.4	12,139	844	1,553	184	1,455	2,495	171
-Other	1,550.0	1,436	114	74	65	125	258	206
Edam and Gouda-natural	9,208.6	8,459	1,066	850	80	2,736	1,899	69
-processed	3,151.3	2,955	143	25	17	365	231	63
Blue mold	5,469.6	5,096	195	520	267	882	1,739	197
Swiss-Emmenthaler	70,278.1	67,193	5,832	6,049	104	14,212	14,914	105
-Gruyere process	16,479.0	14,848	782	1,145	146	1,976	3,449	175
Other-over 0.5% fat	89,466.8	87,996	3,051	6,470	212	13,403	19,198	143
-under 0.5% fat	12,621.1	12,249	1,435	1,120	78	2,699	2,892	107
Total	240,349.6	230,216	13,570	18,688	138	39,036	52,204	134
Cheese, nonquota types								
Other cow's milk cheeses[2]		14,724	1,025	1,632	159	2,496	4,076	163
Miscellaneous[3]		1,201	106	134	126	267	328	123
Pecorino		22,291	936	2,028	217	4,505	7,647	170
Roquefort		910	76	93	122	178	188	106
Total		39,127	2,142	3,887	181	7,446	12,239	164
Total cheese, Quota and Nonquota	240,349.6	269,343	15,712	22,575	144	46,482	64,443	139
Other quota products								
Butter	707.0	[4]1,746	187	208	111	390	269	69
Butteroil	1,200.0	1,200	0	0	0	1,200	1,200	100
Butterfat mixtures	2,580.0	2,335	5	10	200	6	23	383
Ice cream	3,377.3	0	0	0	0	0	0	0
Frozen cream	12,540.0	[4]15,133	0	2,494	[5]	678	6,181	912
Nonfat dry milk	1,807.0	[4]1,935	143	305	213	496	410	83
Dried buttermilk and whey	496.0	355	1	0	[6]	9	0	[6]
Evaporated milk	1,312.0	[4]4,036	465	94	20	965	1,266	131
Condensed milk	4,079.0	3,129	156	0	[6]	1,579	350	22
Chocolate crumb-regular	21,409.2	18,825	796	125	16	2,737	1,418	52
-lowfat	4,680.0	740	0	161	[5]	40	242	605
Animal feed with milk solids	16,300.0	15,948	2	714	[5]	162	723	446
Non-quota products								
Casein		176,752	12,532	10,542	84	35,364	38,423	109
Lactose		1,050	89	64	72	244	293	120
Milk equivalent, fat solids basis, total all proucts	2,234,270	[4]2,476,760	125,085	212,641	170	421,983	633,266	150

[1]Preliminary. [2]Primarily soft, ripened cheeses. [3]Gjetost, Bryndza, Gammelost and Noekkelost, and Goya. [4]Probable error in reported data. [5]More than 1,000. [6]Less than 1.

Table 27.—U.S. dairy trade, milk-equivalent, fat-solids basis

Year and quarters	Imports		Exports	Shipments[1]
	Cheese	Other		
	Million pounds			
1980				
1st	224	142	108	135
2nd	321	36	88	139
3rd	489	18	75	142
4th	832	47	99	146
Year[2]	1,866	243	370	562
1981				
1st	306	98	85	162
2nd	393	77	528	138
3rd	451	127	706	155
4th	809	68	1,777	131
Year[2]	1,960	370	3,096	586
1982				
1st	359	62	1,558	153
2nd	439	126	938	157
3rd	538	43	592	129
4th	792	117	846	163
Year[2]	2,128	348	3,935	602
1983				
1st	512	121	500	137

[1]To U.S. territories. [2]May not add because of rounding.

Table 28.—Imports, exports, and shipments of dairy products, 1975-82[1]

Year	Imports		Exports		Shipments[2]	
	Quantity	Percent of production	Quantity	Percent of production	Quantity	Percent of production
	Million pounds	*Percent*	*Million pounds*	*Percent*	*Million pounds*	*Percent*
1975	1,669	1.4	550	.5	496	.4
1976	1,943	1.6	502	.4	520	.4
1977	1,968	1.6	459	.4	527	.4
1978	2,310	1.9	368	.3	602	.5
1979	2,305	1.9	362	.3	620	.5
1980[3]	2,109	1.6	370	.3	562	.4
1981[3]	2,329	1.8	3,096	2.3	586	.4
1982[3]	2,477	1.8	3,935	2.9	602	.4

[1]Milk-equivalent, fat-solids basis. [2]To U.S. territories. [3]Preliminary.

Cheese Donations and Their Effect on Commercial Disappearance

by

James Zellner and Clifford Carman[1]

ABSTRACT: The free cheese distribution that USDA began in early 1982 apparently resulted in some displacement of commercial sales of American-type cheese in fourth-quarter 1982 and first-quarter 1983. The long-term trend in cheese consumption is up, and commercial disappearance of other-than-American-type cheese rose 11.9 percent in fourth-quarter 1982 and 7.2 percent in first-quarter 1983. However, disappearance of American-type cheese fell 5.1 and 15.2 percent, respectively, during the two quarters. Meanwhile, during the last 3 months of 1982, the free cheese distribution averaged 20.1 million pounds a month—11.4 percent of the fourth-quarter 1982 commercial disappearance. Likewise, for the first 3 months of 1983, the free distribution averaged 43.2 million pounds a month—28.2 percent of commercial disappearance.

KEYWORDS: Cheese distribution, commercial disappearance, displacement

The USDA under the special distribution to needy persons program has distributed, through food banks and other charitable agencies, 356 million pounds of American processed cheese from the beginning of 1982 through April 1983.[2] In addition, USDA has announced that Cheddar as well as processed cheese would be available for distribution during the rest of 1983. Early distribution was relatively small, but in late 1982 and early 1983 the levels were raised significantly and displacement of commercial sales became apparent.

Each State has the authority to specify the eligibility requirements of the target recipients. Generally, participants in the Food Stamp Program, Aid to Families with Dependent Children, Supplemental Security Income, and other such programs may receive free cheese. The target population is currently estimated to be about 27 million.

Distribution averaged about 12 million pounds per month for the first 9 months of 1982, as the distribution network was being formed in States and localities. However, by late 1982, the mechanisms were in place and the volunteers had experience with the program, and in early 1983 the monthly distribution reached 60 million pounds. These high levels appear to have resulted in displacement of commercial sales as a result of reduced commercial purchases by eligible recipients. Also, the cheese has been distributed in relatively large—5-pound—loaves. Some reduction may have occurred in commercial purchases by secondary recipients—those who may have been given cheese by participants unable to use all they received.

To the extent that there has been displacement of cheese sales, processors have either had to hold larger inventories or sell additional product to the Commodity Credit Corporation (CCC). In fact, net cheese purchases by CCC during October-December 1982 and January-March 1983 were up 60 and 64 percent, respectively, from year-earlier levels. While part of the larger purchases can be explained by a higher level of milk production, a share of the increased removals was because of the displacement of sales.

[1]Branch chief, Food and Agricultural Policy Branch (202-447-4943) and agricultural economist, Animal Products Branch (202-447-8636), respectively, NED, ERS, USDA.

[2]Cheese is also distributed as a bonus commodity to schools, needy families, and charitable institutions. A total of 102 million pounds of cheese was distributed during October 1982-March 1983, 22 million more than a year earlier.

Consumption Trends

Consumption patterns change only gradually, but the cumulative effect of small year-to-year changes in consumption can be quite large over an extended period of time. Per capita civilian consumption (retail sales plus donations) of cheese has risen substantially over the past 20 years (table A). Total consumption of American-type cheese (Cheddar, Colby, washed curd, stirred curd, Monterey, and Jack) increased more than 84 percent from 1963 to 1982, and consumption of other-than-American-type cheese (Swiss, Italian types, Muenster, etc.) gained about 170 percent over the same period.

Cheese consumption is affected by tastes and preferences, incomes, and cheese prices relative to the prices of

Table A.—Civilian per capita cheese consumption, 1963-82

Year	Cheese				
	American[1]			Other[2]	Total[3]
	Sales[4]	USDA donations	Total	Total	
	Pounds				
1963	5.4	0.7	6.1	3.1	9.2
1964	5.5	0.7	6.2	3.2	9.4
1965	5.7	0.5	6.2	3.4	9.5
1966	6.2	0.0	6.2	3.6	9.8
1967	6.0	0.4	6.4	3.7	10.1
1968	6.0	0.6	6.6	4.0	10.6
1969	6.3	0.4	6.7	4.2	11.0
1970	6.8	0.3	7.1	4.4	11.5
1971	7.0	0.4	7.4	4.7	12.1
1972	7.5	0.3	7.8	5.3	13.1
1973	7.9	0.0	7.9	5.7	13.6
1974	8.3	0.3	8.6	6.0	14.5
1975	7.9	0.3	8.2	6.1	14.4
1976	8.8	0.2	9.0	6.7	15.6
1977	8.7	0.6	9.3	6.8	16.1
1978	9.2	0.4	9.6	7.4	16.9
1979	9.4	0.2	9.6	7.6	17.2
1980	8.9	0.8	9.7	7.9	17.6
1981	9.4	0.7	10.1	8.1	18.2
1982	9.3	1.9	11.2	8.4	19.6

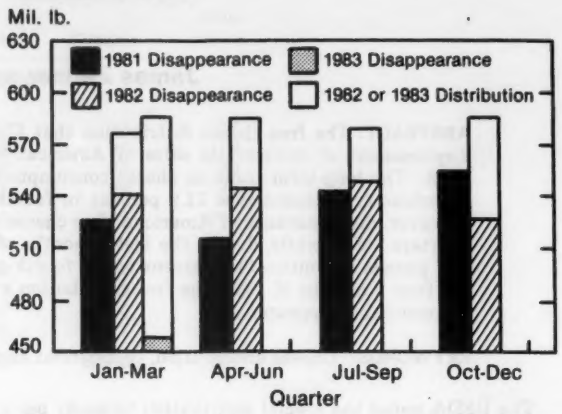
[1]Includes natural and processed American cheese (i.e., cheddar, colby, etc.). [2]Includes natural and processed other cheese (i.e., Swiss, Italian-types, Brick, Muenster, Blue, etc.). [3]May not add due to rounding. [4]Domestic disappearance, commercial sources.

other protein foods. Over the past couple of years, tastes and preferences have likely changed little, incomes are nearly unchanged, and cheese prices have stabilized. The prices have remained unchanged because supplies have been more than ample, and because support purchase prices have not changed. The stable prices helped account for the relative strength in cheese sales during 1981 and first-half 1982, in spite of recession-caused stagnation in income levels. With unchanged prices, cheese was a better buy relative to other protein foods.

Commercial Disappearance

The USDA has no time-series data on final retail sales or individual's purchases of food items like cheese; however, the Statistical Reporting Service (SRS) of USDA collects cheese production and stocks data, and these are used by the Economic Research Service (ERS) in its outlook program to monitor the dairy sector. Table B illustrates the typical supply and commercial disappearance calculations made using the data from SRS, additional import data from Bureau of the Census, and net removals from CCC. Production is added to beginning

Commercial Disappearance and Distribution of American Cheese



USDA Neg. ERS 357-83(6)

Table B.—Supply and utilization of cheese

	Units	1981				1982				1983
		I	II	III	IV	I	II	III	IV	I
					American cheese[1]					
Supply										
Production	Mil. lbs.	645.8	749.6	627.3	619.2	662.1	759.4	673.2	655.7	705.2
Beginning commercial stocks	Mil. lbs.	422.8	410.3	425.4	374.5	373.8	367.8	365.6	318.1	334.7
Imports	Mil. lbs.	3.0	3.6	3.6	9.8	1.1	4.6	6.0	6.1	5.1
Total	Mil. lbs.	1,071.6	1,163.5	1,056.3	1,003.5	1,037.0	1,131.8	1,044.8	979.9	1,045.0
Use										
Ending commercial stocks	Mil. lbs.	410.3	425.4	374.5	373.8	367.8	365.6	318.1	334.7	376.1
Net CCC removals	Mil. lbs.	132.9	219.8	137.1	73.2	127.9	220.1	177.3	117.1	209.7
Subtotal	Mil. lbs.	543.2	645.2	511.6	447.0	495.7	585.7	495.4	451.8	585.8
Commercial disappearance	Mil. lbs.	528.4	518.3	544.7	556.5	541.3	546.1	549.4	528.1	459.2
Change from yr. ago	Percent[2]	+3.8	+3.3	+15.6	+3.9	+2.4	+5.4	+0.9	-5.1	-15.2
					Other cheese[3]					
Supply										
Production	Mil. lbs.	388.7	415.0	400.7	430.9	411.9	443.5	448.1	485.8	439.2
Beginning commercial stocks	Mil. lbs.	99.3	89.7	100.8	95.7	86.6	80.9	91.6	99.2	82.8
Imports	Mil. lbs.	34.2	46.5	54.0	92.9	45.3	51.7	60.5	94.0	59.4
Total	Mil. lbs.	522.2	551.2	555.5	619.5	543.8	576.1	600.2	679.0	581.4
Use										
Ending commercial stocks	Mil. lbs.	89.7	100.8	95.7	86.6	80.9	91.6	99.2	82.8	85.3
Commercial disappearance	Mil. lbs.	432.5	450.4	459.8	532.9	462.9	484.5	501.0	596.2	496.1
Change from yr. ago	Percent[2]	+3.7	+6.1	+4.9	−2.0	+7.0	+7.6	+9.0	+11.9	+7.2
					Total American and other					
Commercial disappearance	Mil. lbs.	960.9	968.7	1,004.5	1,089.4	1,004.2	1,030.6	1,050.4	1,124.3	955.3
Change from yr. ago	Percent[2]	+3.8	+4.6	+10.4	+0.9	+4.5	+6.4	+4.6	+3.2	−4.9

[1]Includes natural and process cheese (i.e., Cheddar, Colby, etc.). [2]On a daily average basis. [3]Includes natural and process (i.e., Swiss, Italian-types, Brick, Muenster, Blue, etc.)

commercial stocks and imports to obtain an estimate of supplies available for commercial uses. Ending commercial inventories and net CCC removals are subtracted from supply to obtain a residual estimate of commercial disappearance. Commercial disappearance serves as an estimate, though imperfect, of final sales.

As indicated in table B, commercial disappearance of American and other cheese has been rising almost continuously each quarter over the past 2 years, even throughout the recession. Beginning in the fourth quarter of 1982, however, the commercial disappearance of American-type cheese fell by 5.1 percent from the same period in 1981. At the same time, sales of other cheese continued to rise, increasing by 11.9 percent. The same pattern continued during first-quarter 1983; other cheese sales continued to rise, going up 7.2 percent, while American cheese sales dropped more than 15 percent.

Table C.—Deliveries of process cheese under the special distribution program

Year and month or quarter	Cheese deliveries
	Million pounds
1982	
January	6.3
February	17.8
March	14.5
1st quarter	38.6
April	16.2
May	15.1
June	10.3
2nd quarter	41.6
July	8.4
August	9.0
September	13.2
3rd quarter	30.6
October	11.6
November	22.4
December	26.2
4th quarter	60.2
Annual total	171.0
1983	
January	25.9
February	43.6
March	60.0
1st quarter	129.5
April	55.5

It is difficult to assign any cause for the drop in American-type sales except the free cheese distribution.[3] The same general economic factors were affecting each segment of the cheese market. Unemployment was peaking at around 10.8 percent, prices of cheese and competing foods should have had the same impact on both markets, and high real interest rates were generating the same incentives for processors, wholesalers, and retailers to cut inventory.

It has been suggested that consumers' preferences have abruptly shifted from the American-type to the other type cheese. To be sure, the longer term data in table A show that a disproportionate share of the total growth has gone to other cheese. However, a shift of preferences over 6 months of the magnitude shown in table B would be without precedent. Consumer preferences do not change that quickly, in large part because habit is important in food choices.

Since there are no known demand factors to explain the large drop in American cheese sales, one must turn to the special donation program for needy persons. From the first 9 month average of 12 million pounds per month (36 million per quarter), USDA during the fourth-quarter 1982 distributed cheese at an average rate of 20 million pounds per month, reaching 26 million in December (see table C). In the first quarter of 1983, special distribution averaged 43 million pounds per month, reaching 60 million in March.

A clearer understanding of how the USDA distribution affected sales may result from an examination of per person consumption. Low-income consumers reported in the 1977-78 Nationwide Food Consumption Survey (NFCS) that they annually consumed about 5 pounds of American processed cheese per person and about 9 pounds of all American-type cheeses. Thus, if cheese were distributed evenly across the eligible 27 million persons, the target population's normal monthly consumption would equal 11-12 million pounds of American processed cheese and about 20 million pounds of all American-type cheese. Likewise, the target population would consume 8 to 9 million pounds of other-type cheese.

In the NFCS, low-income consumers reported eating about 20 percent less cheese than the average U.S. consumer, suggesting that there is some room for increased consumption of cheese before commercial displacement takes place. However, given the normal monthly consumption levels of the target population, distribution on the order of 50-60 million pounds per month—nearly three times the normal consumption of all American-type cheese—would be expected to lead to commercial displacement. Displacement would be even more likely if recipients gave excess cheese to others who might not be part of the target population.

The extent of commercial displacement resulting from the cheese distribution program is difficult to estimate. Some increase from 1982 in commercial disappearance of American-type cheese—about 1 percent—would be expected solely because of population growth. Further, evidence of growth in sales of other-than-American-type cheese suggests that general economic conditions would also lead to some increase in American-type cheese sales beyond that due to population growth. Over the past 20 years, other cheese sales have grown at about twice the rate of American-type cheese sales. Thus, sales growth that could be expected for American-type cheese for late 1982 and early 1983 could be set at between 1 and 4 percent. The market has clearly fallen short of those levels (table B).

There are other factors complicating the estimate of displacement. One is the possible larger consumption because of displacing meat and other food items in the diet. Another factor is the household inventory behavior of recipients. Cheese is a reasonably storable item. Thus, if a recipient gets a quantity of processed cheese which exceeds his immediate needs, he can store it. However, the program is designed to distribute cheese periodically, so that over time some additional household inventory buildup could occur.

The effect of such an inventory accumulation on commercial sales may be observed only after a time. In the aggregate, such a phenomenon may account, in part, for there being little or no evidence of displacement over the first 9 months of the distribution program (January-

[3]Even if all of the additional 22 million pounds of bonus cheese resulted in lower commercial sales, that would explain less than one-fifth of the total decline in disappearance.

September 1982) and for the displacement's apparently approaching 100 percent in the early part of 1983. The earlier distributions may, in fact, be influencing commercial sales now.

Another factor complicating the estimate of displacement is that high interest costs have given processors, wholesales, and retailers increased incentives to reduce inventories. For example, a sudden decrease of inventories in retail stores and the retail distribution channel would show up in the data (table B) as an apparent decrease in commercial disappearance. Likewise, during periods when stocks of processed cheese are moving downward (compared with a year earlier), commercial disappearance will appear weaker than it actually is until the adjustment is completed. For nearly 2 years, all marketers have been keenly aware of the need to minimize inventories. Though nominal interest rates have been declining for the past year, inflation-adjusted rates remain high. There would not appear to be a differential incentive for one part of the marketing chain to reduce inventories vis-a-vis another. No data on processed cheese and retail inventories are available to say conclusively that some part of the apparent displacement is not due to commercial inventory shifts. However, given the small size of inventories relative to final sales, interest-rate induced changes in inventories, even if they have occurred, could not account for a significant portion of the apparent displacement.

This raises some concern over the displacement to be expected over the coming months. For the first 4 months of 1983, over 46 million pounds of cheese were distributed per month. USDA announced in April that distribution levels would be cut to 25-35 million pounds per month. Even if those levels are achieved by June and July, it may be several months before the effect of the high January-April distribution works through the market. Thus, it is likely that aggregate data will tend to overstate actual coincident displacement for some months to come and as a result commercial disappearance during the spring and summer may remain below what it otherwise would have been.

Update of State Milk Promotion Programs

By

Eugene Krueger[1]

ABSTRACT: By the middle of 1983, 20 States will have milk promotion programs under the authority of State legislation. In 19 of the States, producers are assessed while four of the States also assess handlers. These assessments are mandatory in all except one State, but seven provide for refunds. Together the 20 States represent about two-thirds of the milk produced in this country.

Keywords: Milk promotion, regulations, State programs.

There recently has been an increasing interest in advertising and promotion programs for milk and dairy products. Reflecting this increased interest has been the bills introduced in Congress that call for some type of a national promotion program. By mid-1983, 20 States will have in operation promotion programs for milk and dairy products under the authority of State legislation.[2] State government involvement in the programs ranges from contributing funds to programs under the control of other organizations to total involvement in the development and implementation of programs, performing such functions as auditing and verification. The direct assessment rates of the various programs range from less than half a cent per cwt to nearly 15 cents per cwt. In all but one State, the programs include advertising, education, and research.

While producers are assessed in all 20 States except one, four States have programs also assessing handlers. In all but one State, the assessments are mandatory, although seven of the States do have provisions for refunds to producers. In 13 of the States, producer approval is required to make changes in the program. The assessments generally cover all of the milk in each of the 20 States. Together, these 20 States represent about two-thirds of the milk produced in the country.

California

The State has several mandatory programs, all administered by the Bureau of Marketing of the State Department of Agriculture. The major one is the Market Milk Order, covering all market-grade milk in the State, or about 96 percent of the milk marketed by farmers. There are 24 producers on the board, which directs advertising and promotion. The maximum rate of assessment is 1 percent of the blend price. During 1982, $20 million were raised under this program.

Another program is the Manufacturing Grade Milk Order, covering the remaining 4 percent of the milk. The assessment rate is 0.5 percent of the blend price on Grade B milk, and last year $400,000 were provided by this assessment. The board that oversees this program is made up of 13 producers.

Both boards review the rates once a year and submit proposals for operation during the coming year. The

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[2]In addition, there are advertising and promotion programs operating in six Federal orders. There are also a number of area and regions programs to which dairy farmers voluntarily contribute.

Table A.—State milk promotion authority and provisions, July 1983[1]

States currently using authority	Requires producer approval	Other activities in addition to advertising		Assessments			
		Education	Research	Producer		Handler	Mandatory
				Percent of blend	*¢/cwt*	*¢/cwt*	
California	Y	Y	Y	(2)	(3)	(3)	Y
Colorado	N	N	N	N	N	(4)	Y
Georgia	Y	Y	Y	N	12	N	Y
Hawaii	Y	Y	Y	N	5	N	N
Idaho	N	Y	Y	1.0	N	N	Y
Iowa	Y	Y	Y	N	[5]4	N	[6]Y
Kentucky	Y	Y	Y	[7]1.0	[7]3	N	[6]Y
Maine	N	Y	Y	N	[8]5	(8)	Y
Michigan	Y	Y	Y	0.8	N	N	Y
Minnesota	Y	Y	Y	0.5	N	N	[6]Y
New Jersey	Y	Y	Y	[9]0.75	[10]5	N	Y
New York	Y	Y	Y	N	8.5	N	Y
North Carolina	Y	Y	Y	0.7	N	N	[6]Y
North Dakota	N	Y	Y	0.5	N	N	[6]Y
Oregon	Y	Y	Y	1.1	N	N	Y
South Dakota	N	Y	Y	0.5	N	N	[6]Y
Utah	N	Y	Y	1.0	N	N	[6]Y
Vermont	N	Y	Y	0.6	N	[11]2	Y
Washington	Y	Y	Y	[12]	N	[13]0.75	Y
Wisconsin	Y	Y	Y	N	5	N	Y

[1]This table updates and revises table 9 of the *Government's Role in Pricing Fluid Milk in the United States*, ESCS, USDA, AER No. 397, March 1978. Programs cover all of the milk marketed in the State, but participation in the programs may be less than 100 percent. [2]One percent of blend price for Grade A milk and 0.5 percent for Grade B milk. [3]Producers and handlers both contribute to the State Dairy Council at the rate of 0.12 percent of the average Class I price on Class I milk and 0.04 percent of other class prices. [4]Assessments collected under the marketing order may be used to finance promotion projects. [5]Only during May and June. [6]Provides for refunds. [7]One percent of price on Grade A production and 3 cents per cwt on Grade B production. [8]In addition, producers and handlers pay 1.5 cents per cwt on all milk marketed within Maine to State Dairy and Nutrition Council. [9]Rate applies to milk produced in portion of the State corresponding to Middle Atlantic Federal order area. [10]Rate applies to milk produced in portion of the State corresponding to New York-New Jersey Federal order area. [11]On milk sold within the State. [12]One percent of the Class I price of the Puget Sound Federal order. [13]Only on Class I and Class II milk.

Y=Yes, N=No

rates have to be approved by the State Director of Agriculture. Public hearings are held every 5 years to determine if there is sufficient opposition to require a producer vote on whether to continue the programs.

The third program, aimed at education and nutrition, is the Dairy Council of California. It covers all the milk in the State and last year spent about $3 million. The assessment rate for both producers and handlers of Class I milk is 0.12 percent of the April statewide average Class I price per cwt for milk testing 3.5 percent fat and 8.7 percent nonfat solids. All other uses are assessed 0.04 percent of the average price of such milk. Currently, the rates are 1.62 cents per cwt on Class I milk and 0.49 cent on milk in all other uses. Since this program has been changed recently, a referendum during the last half of 1983 will determine if the program is to continue.

Colorado

The Colorado Milk Marketing Board assesses handlers 1.7 cents per cwt on all milk that is processed and utilized in Colorado. The main activity of the board is regulatory, but a small part of its budget is for promotion—$6,000 in 1982 and $10,000 in 1981—in conjunction with programs conducted by a regional cooperative. The board has five members and five alternates and makes recommendations for the use of the money.

Georgia

The Georgia Agricultural Commodity Commission for Milk administers the promotion program in the State. The maximum mandatory assessment rate is 1 percent of the Georgia Federal order blend price during the previous 12 months. Currently, the rate is 12 cents per cwt. Five producers, the Commissioner of Agriculture, and the president of the Georgia Farm Bureau make up the board. During 1982, $1.6 million were collected, of which about 90 percent was used in advertising. Every 3 years, all producers vote whether to reaffirm the authority for the State program.

Hawaii

Advertising, education, and research are carried out by the Fresh Milk Industry of Hawaii. The assessment, which is voluntary, is 5 cents per cwt of milk produced, and participation generally is near 100 percent. A committee of six people (two processors, two producers, a cooperative representative, and a public relations person of the Fresh Milk Industry) directs policy. In 1982, approximately $60,000 were collected.

Idaho

The Idaho Dairy Products Commission carries out milk promotion. The funding comes from a mandatory assessment of 1 percent of the producers' gross pay price (no refunds). Activities of the commission are directed by a nine-member board of producers. While changes in the provisions do not require producer approval, the commission does need the approval of the agriculture committees of the State legislature. In 1982, nearly $2.9 million were collected under the program.

Iowa

The Iowa Dairy Industry Commission finances its programs through an assessment of 4 cents per cwt during May and June. The assessment is mandatory, but provision is made for refunds, and any changes in the program require producer approval. In 1982, approximately $250,000 were collected. The commission is directed by a board of nine producers, two land-grant university representatives, and a representative of the Iowa Secretary of Agriculture.

Kentucky

The American Dairy Association of Kentucky operates the advertising, education, and research programs. The operations are funded by an assessment on Grade A milk producers of 1 percent of the gross pay price and by an assessment on GradeB production of 3 cents per cwt. All producers are subject to the assessment, although there is provision for a monthly refund to producers. Any changes in the program require producer approval. The association's board (composed of 30 producers) directs the operation of the program, but the association is subject to audit by the State Department of Agriculture. During the last year, around $800,000 were collected.

Maine

There are two programs in the State dealing with advertising and promotion. The Dairy and Nutrition Council is funded by an assessment on that milk used within Maine; 1.5 cents per cwt are collected from both producers and handlers. Last year's budget of around $100,000 was used mainly for nutritional education. The Maine Dairy Promotion Board is funded by an assessment of 5 cents per cwt on all producers. Last year, about $180,000 were collected, which mostly went to a regional advertising company.

Both groups have five-member committees (four dairy industry representatives and the Commissioner of Agriculture) that oversee the programs, make recommendations, and set budgets.

Michigan

A new State program was approved by producers in late 1982 to fund promotion efforts in the State. The new program is subject to reapproval by producers in 5 years. The administrating group, Michigan Dairymen's Market Program Committee, is composed of up to 15 members. The maximum assessment rate to producers is 0.8 percent of the average blend prices in the Southern Michigan and Michigan Upper Peninsula Federal orders during the 6-month period ending September 30. Once set, the rate applies for the following calendar year. The initial assessment rate (mandatory and no refunds) was set at 10 cents per cwt beginning April 1, 1983, and applies to all Grade A milk in the State. Collections are expected to be $4 to $4.5 million a year. A portion of the money will be used to supplement funding of the Dairy council of Michigan. The Council also receives a voluntary assessment of 1.5 cents per cwt from processors. Previously, dairy promotion in Michigan was funded out of the superpool operating in the Southern Michigan Federal order.

Minnesota

The promotion of milk is authorized under the Agricultural Commodities Act. The Marketing and International Trade Division of the Department of Agriculture administers the program, which is funded through an assessment of 0.5 percent of the gross producer pay price (mandatory with monthly refunds). The Minnesota Dairy Research and Promotion Council (composed of 22 producers) directs the activities of the program, subject to approval by the Department of Agriculture. Every 5 years, the authority has to be reaffirmed by producers. During 1982, approximately $5.5 million went into the activities of the Dairy Council.

New Jersey

For carrying out advertising, education, and research, the State has two programs divided along the boundary lines of the New York-New Jersey and Middle Atlantic Federal orders. Both programs are administered by the Division of Markets of the Department of Agriculture and are mandatory with no refund provisions. Together they cover all the fluid-grade milk produced in the State. Changes in the programs require producer approval. Each program has a board of nine members (seven producers, a representative of the State Secretary of Agriculture, and a representative of the dean of the college of agriculture) directing the operations of the programs subject to approval by the New Jersey State Board of Agriculture.

The program in North Jersey, included in the New York-New Jersey marketing area, has an assessment of 5 cents per cwt on the milk produced in that area. Last year, approximately 60 percent of the milk in the State was subject to this program, which generated about $145,000.

The other program, covering South Jersey, started in January 1983. The assessment rate is 0.75 percent of the weighted-average Middle Atlantic order blend price for the previous September through March. The current rate is 10 cents per cwt.

New York

The division of dairy industries in the State Department of Agriculture and Markets administers a program for advertising, education, and research. Funding comes from a producer assessment of 8.5 cents per cwt on all milk produced in the State (mandatory with no refunds). However, producer approval is required for changes, and the program must be reaffirmed every 3 years. The assessment rate has been tied to the annual average New York-New Jersey Federal order blend price through a bracketed price-rate system. A 10-member advisory board of producers makes policy recommendations subject to approval by the Commissioner of Agriculture and Markets. During 1982, about $7 million were collected and spent, and another $1.8 million were collected and sent to companion programs operating in the New England Federal order area, in the State order programs of Rochester and Niagara, and in the Eastern Ohio-Western Pennsylvania Federal order area.

North Carolina

The American Dairy Association of North Carolina administers the milk promotion programs. All Grade A producers in the State are assessed 0.7 percent of the statewide blend price for the previous year (mandatory, but with refunds). Changes in the law require producerpproval, and every 3 years the program is subject to reapproval. A board composed of approximately

30 producers oversees the activities of the association, which last year had a budget of over $1 million.

North Dakota

The milk promotion program is conducted by the North Dakota Dairy Products Promotion Commission, with funding from a mandatory assessment of 0.5 percent of gross milk sales by producers in the State. Refunds can be requested monthly. During 1982, about $600,000 were collected, with over 10 percent used in conjunction with advertising activities carried out by the American Dairy Association. A new law eliminating refund provisions is to be voted on by producers this fall.

Oregon

The Oregon Dairy Products Commission carries out the milk promotion program with a seven-member board (five producers, a land-grant university representative, and a Department of Agriculture representative) administering the program. An assessment of 1.1 percent of the State blend price generated over $2.1 million in 1982. About 10 percent of the commission's funds go toward activities of the Oregon Dairy Council.

South Dakota

The American Dairy Association handles the program for the State. To finance the program, there is a current mandatory (refundable upon request) assessment of 0.5 percent of the producer blend price for Grade A milk and also for Grade B. Changes in the authority do not require producer approval. The participation rate among producers ranges from 75 to 80 percent, resulting in a budget of around $800,000 last year. A seven-member board (four producers, two processors, and a State Department of Agriculture representative) directs the association, subject to review by the State Department of Agriculture.

Utah

The Utah Dairy Commission is in charge of promotion, which is financed through a mandatory but refundable assessment of 1 percent of the gross producer's pay price on all commercial sales of milk in the State. Last year this generated about $1.5 million. Changes in the legislation do not require producer approval. The commission is directed by a board made up of 11 producers, a representative of Utah State University, and a representative of the State Department of Agriculture.

Vermont

Dairy advertising, education, and research activities fall under the State Department of Agriculture. The assessment for milk is 0.6 percent of the average New England Federal order blend price (Zone 21) for the previous year, and it applies to milk shipped out of State. The program is under the direction of the Vermont Dairy Industry Council, which has a board of around 11 producers. During 1982, this program applied to over 90 percent of Vermont's milk and generated $1.6 million. The other program in the State, covering the remaining 10 percent of the milk (which is used in the State), is directed by the State Dairy Council, which has nine members (seven producers and two handlers). Funding comes from an assessment on handlers of 2 cents per cwt, and raised $200,000 last year.

Both programs are subject to review by the State Department of Agriculture. The assessments are mandatory with no provision for refunds. Producer approval is not required to change the legislation, but producers can petition the department to conduct a referendum either to lower the assessment rate or to eliminate the program. In addition to assessments under the State program, approximately 80 percent of the producers are voluntarily contributing an additional 3 cents per cwt for promotion activities in the region.

Washington

Promotion is carried out by the Washington State Dairy Products Commission and funded from a mandatory assessment on all fluid milk of 1 percent of the Puget Sound Federal order Class I price. The rate was raised on April 1, 1983, from 0.8 percent, following the recommendation of the 10-member board (seven producers, a processor, a producer-handler, and a State Department of Agriculture representative) and subsequent producer approval. In addition, handlers and producer-handlers are subject to an assessment of 0.75 cent per cwt on Class I and Class II milk processed in the State. The total commission budget for 1982 was around $3.75 million.

Wisconsin

Wisconsin dairy producers approved a statewide dairy promotion program in March 1983. The program is expected to go into operation on July 1. It calls for a 5-cent-per-cwt assessment on all milk sold by Wisconsin producers, with no provision for refunds. This assessment is expected to generate around $11 million a year to be used in advertising and promotion, as well as in education and market research and development. Administration of the program will be under the control of a 25-member marketing board of producers, which will have broad flexibility. After the program has operated 4 years, producers will vote on whether it should be modified or terminated.

LIST OF TABLES

		Page
1.	U.S. dairy situation at a glance	2
2.	Milk production, milk per cow, and milk cows on farms, by months, 1980-83, with comparisons	5
3.	Milk/16-percent feed price relationship, by months, 1980-83	6
4.	Milk-concentrate relationships, 1976-82	6
5.	Utility cow prices, Omaha, by months, 1980-83	7
6.	Milk used and marketed by farmers, 1976-82	7
7.	Manufacturing grade milk marketed, selected States, 1980-82	8
8.	Fluid grade milk as percent of all milk sold by farmers to plants and dealers, selected regions, selected years	8
9.	Milk prices received by farmers, by months, 1980-83	9
10.	Cash receipts from farm marketings of milk and cream, by State and farm production region, 1980-82	10
11.	Wholesale dairy product prices and indexes	11
12.	Retail dairy product prices	11
13.	Retail price indexes	11
14.	Production of selected manufactured dairy products, annual, 1980-82	12
15.	Production of selected manufactured dairy products with comparisons	12
16.	Use of market supply of milk, 1976-82	13
17.	Commercial disappearance: Total milk, annual and quarter, 1981-83	14
18.	Commercial disappearance: Selected dairy products, 1972-83	14
19.	Per capita U.S. civilian consumption of selected dairy products, 1978-82	14
20.	Milk and dairy product sales (domestic disappearance, commercial sources), total and per capita, 1976-82	15
21.	Milk solids in all dairy products: Production and disposition, 1976-82	16
22.	Selected dairy products: Supply and utilization, 1976-82	17
23.	U.S. dairy product ending stocks, annual and quarters, 1976-83	17
24.	USDA dairy product purchases, with comparisons	18
25.	Uncommitted CCC stocks, selected dates, 1981-83	18
26.	Dairy Products: U.S. imports, quota and non-quota, total 1982, and January-March, 1982-83	19
27.	U.S. dairy trade, milk-equivalent, fat-solids basis	20
28.	Imports, exports and shipments of dairy products, 1975-82	20

Tables For Special Articles

A.	Civilian per capita cheese consumption, 1963-82	21
B.	Supply and utilization of cheese	22
C.	Deliveries of processed cheese under the special distribution program	23
A.	State milk promotion authority and provisions, July 1983	25

List of Figures

	Page
U.S. Milk Production by Months, 1980-83	4
Milk/16-Percent Feed Price Relationship by Months, 1981-83	6
Grade A and Grade B Marketings, 1960-82	8
All-Milk Prices, by Months, 1980-83	9
Wholesale Dairy Product Prices, by Months, 1980-83	10
Retail Food and Dairy Product Prices, by Months, 1980-83	12
Commercial Disappearance of Milk in All Products, by Quarters, 1981-83	13
Total Commercial Disappearance, Annual, 1955-82	13
Daily Average Sales of Fluid Milk Items, by Months, 1981-83	14
Dairy Product Stocks, by Months, 1980-83	18
USDA Dairy Product Purchases, by Months, 1980-83	18

Special Article Figure

Commercial Disappearance and Distribution of American Cheese, by Quarters, 1981-83	22

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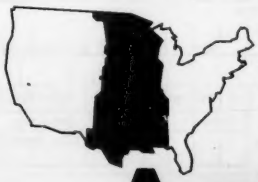

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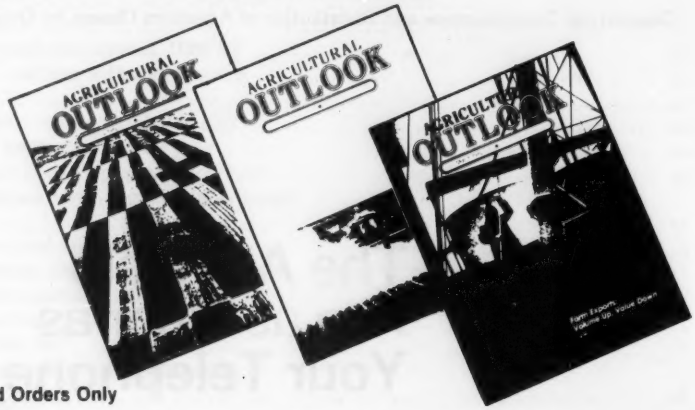

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